A Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2006

Timothy M. Kaine
Governor

Jody M. Wagner
Secretary of Finance

David A. Von Moll
Comptroller

Table of Contents

Introductory Section

Comptroller's Letter of Transmittal to the Governor 6
Certificate of Achievement for Excellence in Financial Reporting 17
Organization of Executive Branch of Government 21
Organization of Government – Selected Government Officials – Executive Branch 22
Organization of the Department of Accounts 23

Financial Section

Independent Auditor's Report 26
Management's Discussion and Analysis 29
Basic Financial Statements
Government-wide Financial Statements
Statement of Net Assets 40
Statement of Activities 42
Fund Financial Statements
Balance Sheet – Governmental Funds 46
Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide Statement of Net Assets 48
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 50
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-wide Statement of Activities 52
Statement of Net Assets – Proprietary Funds 54
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds 56
Statement of Cash Flows – Proprietary Funds 58
Statement of Fiduciary Net Assets – Fiduciary Funds 64
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds 65
Statement of Net Assets – Component Units 68
Statement of Activities – Component Units 70
Index to the Notes to the Financial Statements 73
Notes to the Financial Statements 74
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds 152
Funding Progress for Defined Benefit Pension Plans 156
Claims Development Information 158
Combining and Individual Fund Statements and Schedules
Nonmajor Governmental Funds
Combining Balance Sheet – Nonmajor Governmental Funds 166
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds 170
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds 174
Nonmajor Enterprise Funds
Combining Statement of Net Assets – Nonmajor Enterprise Funds 178
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds 182
Combining Statement of Cash Flows – Nonmajor Enterprise Funds 186
Internal Service Funds
Combining Statement of Net Assets – Internal Service Funds 194
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds 196
Combining Statement of Cash Flows – Internal Service Funds 198

Combining and Individual Fund Statements and Schedules (continued)

Fiduciary Funds

Combining Statement of Fiduciary Net Assets – Private Purpose Funds 204
Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Funds 206
Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds 208
Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds 210
Combining Statement of Fiduciary Net Assets – Investment Trust Fund 212
Combining Statement of Changes in Fiduciary Net Assets – Investment Trust Funds 213
Combining Statement of Fiduciary Net Assets – Agency Funds 214
Combining Statement of Changes in Assets and Liabilities – Agency Funds 218

Nonmajor Component Units

Combining Statement of Net Assets – Nonmajor Component Units 226
Combining Statement of Activities – Nonmajor Component Units 234

Debt Schedules

Summary Schedule – Total Debt and Other Long-term Obligations of the Commonwealth 238
Tax-Supported Debt and Other Long-term Obligations 239
Debt and Other Long-term Obligations Not Supported by Taxes 240
Authorized and Unissued Tax-Supported Debt 241
Tax-Supported Debt – Annual Debt Service Requirements 242
Tax-Supported Debt – Detail of Long-term Indebtedness 244

Statistical Section

Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – General Governmental Revenues by Source and Expenditures by Function 258
Net Assets by Component – Accrual Basis of Accounting 260
Changes in Net Assets – Accrual Basis of Accounting 261
Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting 263
Comparison of General Fund Balance 263
Changes in Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting 264
Personal Income Tax Rates 266
Effective Tax Rates 266
Personal Income Tax Filers and Liability by Income Level 267
Personal Income by Industry 268
Taxable Sales by Business Class 270
Sales Tax Revenues by Business Class 272
Ratios of Outstanding Debt by Type 274
Ratio of General Obligation Bonded Debt Outstanding 275
Computation of Legal Debt Limit and Margin 276
Schedule of Pledged Revenue Bond Coverage – Primary Government 9(d) General Long-term Debt 278
Schedule of Demographic and Economic Statistics 280
Principal Employers 281
Capital Asset Statistics by Function 284
State Employees by Function 286
Operating Indicators by Function 288
Employees of the Department of Accounts 290

Illustrations

Figure 1 Average Daily Invested Balance 8
Figure 2 Average Yield on Investments 8
Figure 3 Net Earnings on Investments 8
Figure 4 Total Outstanding Debt – Primary Government 9
Figure 5 Total Outstanding Debt – Component Units 9
Figure 6 Unemployment Rate, Fiscal Year 2004 – Fiscal Year 2006 10
Figure 7 Nonfarm Employment, Fiscal Year 2004 – Fiscal Year 2006 11
Figure 8 Nonfarm Employment, Metropolitan and Non-metropolitan Areas 12
Figure 9 Growth in Jobs and in Real Wages and Salaries 12
Figure 10 Wages and Salaries per Job 13
Figure 11 Personal Income and Wage and Salary Disbursements 14
Figure 12 Virginia New Privately Owned Housing Units Authorized 15
Figure 13 Net Assets as of June 30, 2006 and 2005 32
Figure 14 Changes in Net Assets for the Fiscal Years Ended June 30, 2006 and 2005 33
Figure 15 Revenues by Source – Governmental Activities, Fiscal Year 2006 34
Figure 16 Expenses by Type – Governmental Activities, Fiscal Year 2006 35
Figure 17 Business-type Activities – Program Revenues and Expenses for the Fiscal Year Ended June 30, 2006 36
Figure 18 Capital Assets as of June 30, 2006 37
Figure 19 Outstanding Debt as of June 30, 2006 – General Obligation and Revenue Bonds 38

INTRODUCTORY SECTION

Comptroller's Letter of Transmittal to the Governor
Certificate of Achievement for Excellence in Financial Reporting
Organization of Executive Branch of Government
Organization of Government – Selected Government Officials – Executive Branch
Organization of the Department of Accounts

COMMONWEALTH of VIRGINIA

DAVID A. VON MOLL, CPA
COMPTROLLER

Office of the Comptroller

P. O. BOX 1971
RICHMOND, VIRGINIA 23218-1971

December 14, 2006

The Honorable Timothy M. Kaine
Governor of the Commonwealth of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor Kaine:

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006, in accordance with Section 2.2-813 of the *Code of Virginia*.

This report consists of management's representations concerning the Commonwealth of Virginia's finances. Management assumes full responsibility for the completeness and reliability of all information presented. This report reflects my commitment to you, to the citizens of the Commonwealth, and to the financial community to maintain our financial statements in conformance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). Data presented in this report is believed to be accurate in all material respects, and all disclosures that are necessary to enable the reader to obtain a thorough understanding of the Commonwealth's financial activities have been included.

The 2006 CAFR is presented in three sections. The Introductory Section includes this transmittal letter and organization charts for State government. The Financial Section includes the State auditor's report, management's discussion and analysis (MD&A), audited government-wide and fund financial statements and notes thereto, required supplementary information other than MD&A, and the underlying combining and individual fund financial statements and supporting schedules. The Statistical Section sets forth selected unaudited economic, financial trend, and demographic information for the Commonwealth on a multi-year basis. Due to the Commonwealth's implementation of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section,* during fiscal year 2006, this section includes several new or modified statistics.

The Commonwealth's management is responsible for the establishment and maintenance of internal accounting controls that ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. To ensure that the costs of controls do not exceed the benefits obtained, management is required to use cost estimates and judgments to attain reasonable assurance as to the adequacy of such controls. The Commonwealth's established internal controls fulfill these requirements.

In accordance with Section 30-133 of the *Code of Virginia*, the Auditor of Public Accounts has audited the Commonwealth's financial statements for the year ended June 30, 2006. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. The auditor's opinion is included in the Financial Section of this report. Audit testing for compliance with the Federal Single Audit Act Amendments of 1996 and the related OMB Circular A-133 is performed at the statewide level. The Commonwealth's Single Audit Report will be issued at a later date. I would like to acknowledge the Auditor of Public Accounts' staff for their many contributions to the preparation of this report.

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. In addition to the financial analysis addressing the Commonwealth's governmental and business-type activities, the MD&A focuses on the Commonwealth's major funds: the General Fund, the Commonwealth Transportation Special Revenue Fund, the Federal Trust Special Revenue Fund, the Literary Fund Special Revenue Fund, the State Lottery Fund, the Virginia College Savings Plan Fund, and the Unemployment Compensation Fund. The Commonwealth's MD&A can be found on page 29 immediately following the independent auditor's report.

PROFILE OF THE GOVERNMENT

REPORTING ENTITY

For financial reporting purposes, the Commonwealth's reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable (blended component units), and (3) other component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete (discrete component units). The funds and accounts of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or a component unit have been included. GASBS No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14,* was implemented in fiscal year 2004 and requires the inclusion of numerous organizations that raise and hold funds for the direct benefit of the primary government. Further information can be found in Note 1.B. to the Financial Statements.

Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards* describes the criteria for determining which organizations, functions, and activities should be considered part of the Commonwealth for financial reporting purposes. The basic criteria include appointing a voting majority of an organization's governing body, as well as the Commonwealth's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Commonwealth. The Commonwealth's discretely presented major component units are the Virginia Housing Development Authority, Virginia Public School Authority, University of Virginia, Virginia Polytechnic Institute and State University, and Virginia Commonwealth University.

The Commonwealth and its component units provide a wide range of services and funding to its citizens, including elementary, secondary and higher education; health and human services; economic development; environment and natural resources; public safety, corrections, and regulation; transportation; agriculture; and general government services. The financial activities associated with these services are reflected in both summary and detail throughout the CAFR.

BUDGETARY CONTROL

In addition to the internal controls previously discussed, the Commonwealth maintains budgetary controls to ensure compliance with the legal provisions of the Commonwealth's Appropriation Act, which reflects the General Assembly's approval of a biennial budget. The financial transaction process begins with development and approval of the budget, after which budgetary control is maintained through a formal appropriation and allotment system. The budgeted amounts reflected in the accompanying financial statements represent summaries of agency budgets.

The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly on a biennial basis at the program level. The Commonwealth monitors spending activity to ensure the expenditures do not exceed the appropriated amounts at the agency level. The State Comptroller maintains a central general ledger that records total appropriations and related expenditures for all agencies and institutions included in the approved budget. Systemic controls are in place to prevent disbursements that exceed authorized appropriations. Additional information regarding the Commonwealth's budgetary process can be found in Note 1.E. to the Financial Statements.

INVESTMENT POLICY

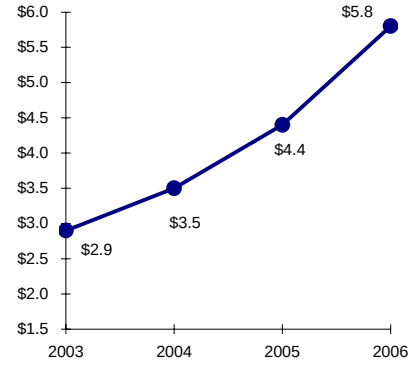
The Commonwealth's primary investment objectives are safety of principal, maintenance of needed liquidity, and attaining a market rate of return throughout budgetary and economic cycles. Accordingly, investments are made in compliance with the *Code of Virginia*, with adherence to specific guidelines adopted by the Treasury Board, and with consideration given to the prevailing investment environment.

The general account of the Commonwealth is a pool of investments representing assets of a number of funds, including the General Fund, various higher education operating funds, and the Commonwealth Transportation Trust Fund. These monies are invested in a variety of high quality securities including U.S. Treasury and agency securities, corporate debt securities of domestic corporations, taxable municipal securities, asset-backed securities, mortgage-backed securities, AAA-rated dollar obligations of foreign governments, bankers acceptances, negotiable certificates of deposit and bank notes, repurchase agreements, and money market funds. The general account portfolio is divided into two pools of assets, the primary liquidity pool and the total return pool. The primary liquidity pool is internally managed by Department of the Treasury (Treasury) staff and is the major source for disbursement requirements and operational needs of the Commonwealth. The objective of the total return pool, which is externally managed, is to generate higher total returns over a market cycle than would be generated by the primary liquidity pool. Treasury's allocation target for the overall general account asset mix is currently 75 percent for the primary liquidity pool and 25 percent for the total return pool.

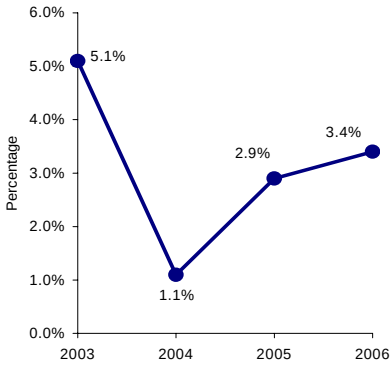
The average daily invested balance (**Figure 1**) for the fiscal year ended June 30, 2006 was $5.8 billion, up $1.4 billion from the fiscal year 2005 average. The average yield or return (**Figure 2**) of 3.4 percent for fiscal year 2006 was higher than the 2.9 percent return for fiscal year 2005, but still low by historical comparisons. The Federal Reserve increased interest rates eight times for a total of 200 basis points during fiscal year 2006. This brings the total to 17 rate increases equaling 425 basis points of tightening

during the past two years. The targeted federal funds rate was 5.25 percent on June 30, 2006. Earnings on investments (**Figure 3**) for fiscal year 2006 jumped to $197.4 million exceeding the $127.5 million earned in fiscal year 2005. The earnings increase was mainly the result of a large overall increase in investment balances and less importantly a general increase in interest rates.

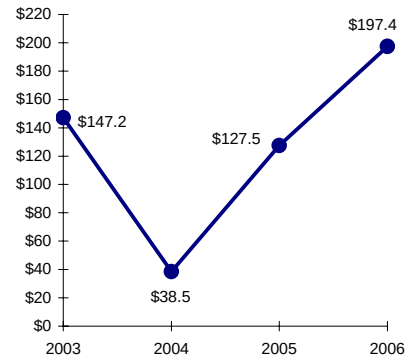
Average Daily Invested Balance
By Fiscal Year
(Dollars in Billions) *Figure 1*



Average Yield on Investments
By Fiscal Year
Figure 2



Net Earnings on Investments
By Fiscal Year
(Dollars in Millions) *Figure 3*



In addition to the general account of the Commonwealth, the Department of the Treasury manages or sponsors a number of individual customized investment programs and one special purpose investment pool. The Local Government Investment Pool (LGIP) is a special purpose money market-like fund managed by Treasury staff for the benefit of public entities of the Commonwealth in the investment of their short-term funds. The LGIP enables participants to maximize their return on investments by providing a fund where monies can be commingled for investment purposes in order to realize the economies of large-scale investing and professional funds management. The Treasury Board has adopted investment guidelines for the LGIP, authorizing them to invest in certain high-quality, short-term securities appropriate for money market funds. The LGIP portfolio is rated 'AAAm' by Standard & Poor's. LGIP shareholder balances averaged $2.5 billion for the fiscal year ended June 30, 2006, with year-end balances of $3.0 billion.

DEBT ADMINISTRATION

The Commonwealth is one of only six states in the nation with a "triple A" bond rating for general obligation debt from the three rating agencies: Moody's Investors Service, Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc. and Fitch, Inc. These ratings reflect the Commonwealth's long-standing record of sound fiscal management, its diversified economic base, and low debt ratios.

The total debt of the Commonwealth, as of June 30, 2006, was $21.6 billion, with primary government being $7.3 billion (**Figure 4**) and component units being $14.3 billion (**Figure 5**). Of that amount, $6.4 billion (29.6 percent) was tax-supported debt. Debt is considered tax supported if Commonwealth tax revenues are used or pledged for debt service payments. This includes all debt issued pursuant to Article X, Sections 9(a), 9(b) and 9(c) of the *Constitution of Virginia*, as well as selected Section 9(d) debt issues and other long-term obligations.

Outstanding general obligation debt backed by the full faith and credit of the Commonwealth totaled $1.0 billion at June 30, 2006. Included is Section 9(b) debt totaling $596.5 million for Public Facilities and $29.7 million for Transportation Facilities. In 2002, voters in the Commonwealth approved two general obligation bond referenda authorizing $1.0 billion in new capital projects for educational and park and recreational facilities of the Commonwealth. Of the amount authorized, $331.0 million has been issued as of June 30, 2006. Principal and interest payments on Public Facilities Section 9(b) debt were less than one percent of total General Fund expenditures in fiscal year 2006.

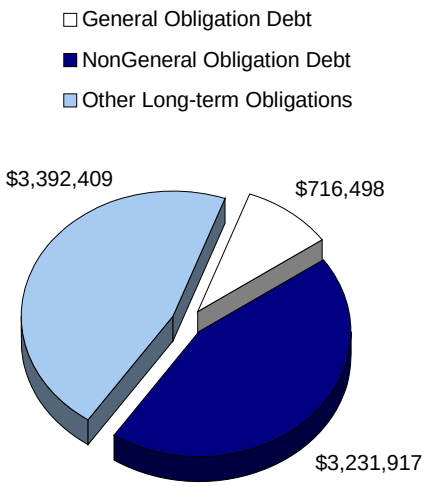
The balance of general obligation debt of $416.3 million consisted of Section 9(c) bonds. Revenue-producing capital projects, primarily auxiliary enterprises of colleges and universities and transportation toll facilities, service these bond payments. Holders of Section 9(c) bonds have a legal claim to general tax revenues of the Commonwealth should revenues prove to be insufficient to meet principal and interest payments. Such claims on general tax revenue have not been made.

The remaining $5.3 billion in tax-supported debt is made up of selected Section 9(d) bonded debt and other long-term obligations. Tax-supported Section 9(d) debt totaling $3.3 billion includes transportation debt, as well as the Virginia Port Authority, Virginia Public Building Authority, Innovative Technology Authority, Virginia Biotechnology Research Park Authority, and certain Virginia College Building Authority bonds payable. Other tax-supported long-term obligations include capital leases, certain appropriation supported bonds, installment purchases, notes payable, pension liability, Virginia Public Broadcasting Board Notes, and compensated absences.

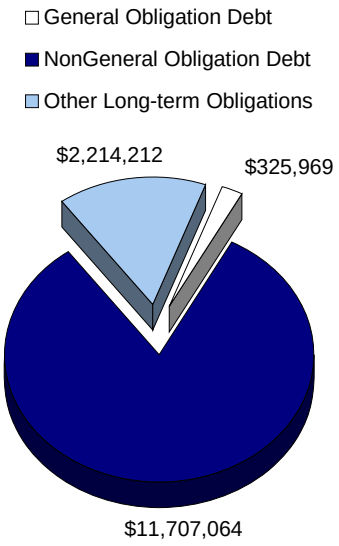
The remaining debt of the Commonwealth, which totals $15.2 billion, is not supported by tax revenues. The Commonwealth has no direct or indirect pledge of tax revenues to fund reserve deficiencies. However, in some cases, the Commonwealth has made a moral obligation pledge to consider funding deficiencies in debt service reserves that may occur. At June 30, 2006, $1.2 billion, or 7.9 percent, of debt not supported by taxes was considered moral obligation debt.

A detailed summary of all the debt issues may be found in Note 22 to the Financial Statements, as well as in the section entitled "Debt Schedules."

Total Outstanding Debt
Primary Government
June 30, 2006
(Dollars in Thousands) *Figure 4*



Total Outstanding Debt
Component Units
June 30, 2006
(Dollars in Thousands) *Figure 5*



RISK MANAGEMENT

The Commonwealth maintains self-insurance programs for employee health, general (tort) liability, medical malpractice, workers' compensation, property, and automobile liability insurance. These are reported in the Internal Service Funds. The Commonwealth assumes the full risk for claims filed under the employee health insurance program and the workers' compensation program. For the other programs, the risk assumed is limited to certain amounts per occurrence.

The Commonwealth also provides employee health, errors and omissions liability and law enforcement professional liability insurance for local governmental units throughout the Commonwealth. These programs are reported in the Enterprise Funds. Additional information on all risk management programs is presented in Note 19 to the Financial Statements.

RETIREMENT SYSTEMS

The Commonwealth provides a variety of retirement plans for its employees. The majority of employees participate in one of the four defined benefit plans administered by the Commonwealth. These defined benefit plans are the Virginia Retirement System, the State Police Officers' Retirement System, the Judicial Retirement System, and the Virginia Law Officers' Retirement System. Certain employees may elect to participate in selected defined contribution pension plans. Further information on the Commonwealth's participation in the retirement systems can be found in Note 13 to the Financial Statements.

ECONOMIC OUTLOOK

LOCAL ECONOMY

Introduction

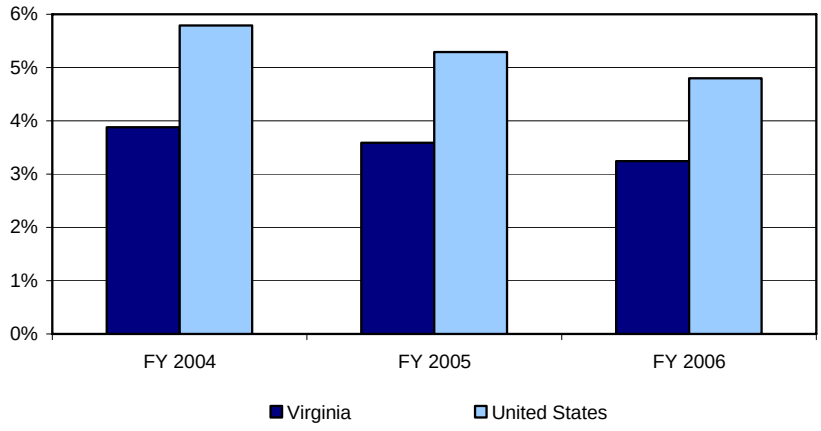
Economists at the Virginia Commonwealth University's Center for Urban Development prepared this economic highlights section. In fiscal year 2006, the Commonwealth's economy continued to expand. However, this growth has slowed when compared to recent fiscal years. Unemployment continued its downward trend, employment has grown in nearly every industry sector and almost every urban center, real wages and salaries and personal income grew moderately, and the housing market experienced its second consecutive decline.

Unemployment

The unemployment rate in the Commonwealth fell to 3.2 percent in fiscal year 2006 (**Figure 6**), making this the third consecutive fiscal year that the unemployment rate has declined. Moreover, the reduction in the unemployment rate of 0.4 percentage points from 3.6 percent in fiscal year 2005 was the largest in these three fiscal years (-0.2 percentage points from fiscal year 2003 to fiscal year 2004 and -0.3 percentage points from fiscal year 2004 to fiscal year 2005). Compared to other states, the Commonwealth had the second lowest unemployment rate in fiscal year 2006. This is an improvement over fourth best in fiscal year 2005. The Nation's unemployment rate was 4.8 percent in fiscal year 2006, 1.6 percentage points higher than the unemployment rate of the Commonwealth.

The unemployment rate varied widely among the Metropolitan Statistical Areas (MSAs) of the Commonwealth. It ranged from a low of 2.3 percent in the Commonwealth's portion of the Washington-Arlington-Alexandria MSA to a high of 8.0 percent in the Danville MSA. Four other MSAs had a lower unemployment rate than the Commonwealth as a whole: the Commonwealth's portion of the Winchester MSA (2.5 percent), the Charlottesville MSA (2.6 percent), the Harrisonburg MSA (2.7 percent) and the Roanoke MSA (3.1 percent). In contrast, five other MSAs had a higher unemployment rate: the Blacksburg-Christiansburg-Radford MSA (3.4 percent), the Richmond MSA (3.4 percent), the Lynchburg MSA (3.5 percent), the Commonwealth's portion of the Kingsport-Bristol MSA (4.7 percent), and the Commonwealth's portion of the Virginia Beach-Norfolk-Newport News MSA (3.8 percent). Ten out of the eleven MSAs in the Commonwealth had lower unemployment rates in fiscal year 2006 than in fiscal year 2005, with only the Danville MSA experiencing an increase.

Figure 6
Unemployment Rate, Fiscal Year 2004 – Fiscal Year 2006



Source: Bureau of Labor Statistics

Employment

Total nonfarm employment grew by 2.2 percent to reach 3,704,442 in fiscal year 2006. The Commonwealth added 78,042 jobs over last fiscal year. This is the third straight fiscal year that the Commonwealth's workforce has grown. Since fiscal year 2003, the Commonwealth has added 214,217 jobs. However, the rate of growth slowed from a high of 2.6 percent between fiscal year 2004 and fiscal year 2005. The Commonwealth ranked seventh in the Nation in terms of the number of total nonfarm jobs added in fiscal year 2006, down from fifth in fiscal year 2005. Nationally, total nonfarm employment grew by 1.5 percent, 0.7 percentage points slower than the growth rate of the Commonwealth.

As shown in **Figure 7**, only two sectors experienced declines in total nonfarm employment in fiscal year 2006: information (-2,683 jobs or -2.8 percent) and manufacturing (-1,892 jobs or -0.6 percent). In addition, the federal government sub-sector also posted a slight decline (-92 jobs or -0.1 percent). Three sectors, professional and business services (23,717 or 4.0 percent), construction (16,850 or 7.1 percent) and education and health services (13,142 or 3.4 percent) accounted for 68.8 percent of the net increase in jobs. The other sectors that increased significantly were: total government (9,691 or 1.5 percent), trade, transportation and utilities (8,167 or 1.3 percent), leisure and hospitality (5,525 or 1.7 percent) and financial activities (3,433 or 1.8 percent). Other services (1,567 or 0.9 percent) and natural resources and mining (525 or 5.1 percent) contributed slightly to the overall increase in the Commonwealth's workforce.

Figure 7
Nonfarm Employment, Fiscal Year 2004 – Fiscal Year 2006

			Virginia Growth Rates			United States Growth Rate
	Fiscal Year 2006 Level	Fiscal Year 2005-2006 Unit Change	Fiscal Year 2003-2004	Fiscal Year 2004-2005	Fiscal Year 2005-2006	Fiscal Year 2005-2006
Natural Resources and Mining	10,892	525	0.2 %	1.6 %	5.1% %	6.9 %
Construction	254,150	16,850	4.8 %	5.8 %	7.1 %	4.1 %
Manufacturing	296,200	(1,892)	(4.6) %	(0.4) %	(0.6) %	(0.5) %
Trade, Transportation, and Utilities	659,892	8,167	1.1 %	1.6 %	1.3 %	1.1 %
Information	92,233	(2,683)	(1.6) %	(5.8) %	(2.8) %	(0.5) %
Financial Activities	194,292	3,433	1.8 %	1.7 %	1.8 %	2.0 %
Professional and Business Services	617,175	23,717	3.0 %	5.7 %	4.0 %	2.8 %
Education and Health Services	400,567	13,142	2.2 %	3.4 %	3.4 %	2.3 %
Leisure and Hospitality	330,633	5,525	2.7 %	3.4 %	1.7 %	2.1 %
Other Services	182,008	1,567	(0.4) %	1.9 %	0.9 %	(0.1) %
Government	666,400	9,691	1.2 %	2.0 %	1.5 %	0.8 %
Federal	151,633	(92)	1.7 %	1.3 %	(0.1) %	(0.5) %
State	150,092	2,525	0.6 %	2.5 %	1.7 %	0.4 %
Local	364,675	7,258	1.2 %	2.1 %	2.0 %	1.2 %
Total Nonfarm Employment	3,704,442	78,042	1.3 %	2.6 %	2.2 %	1.5 %

Source: Bureau of Labor Statistics

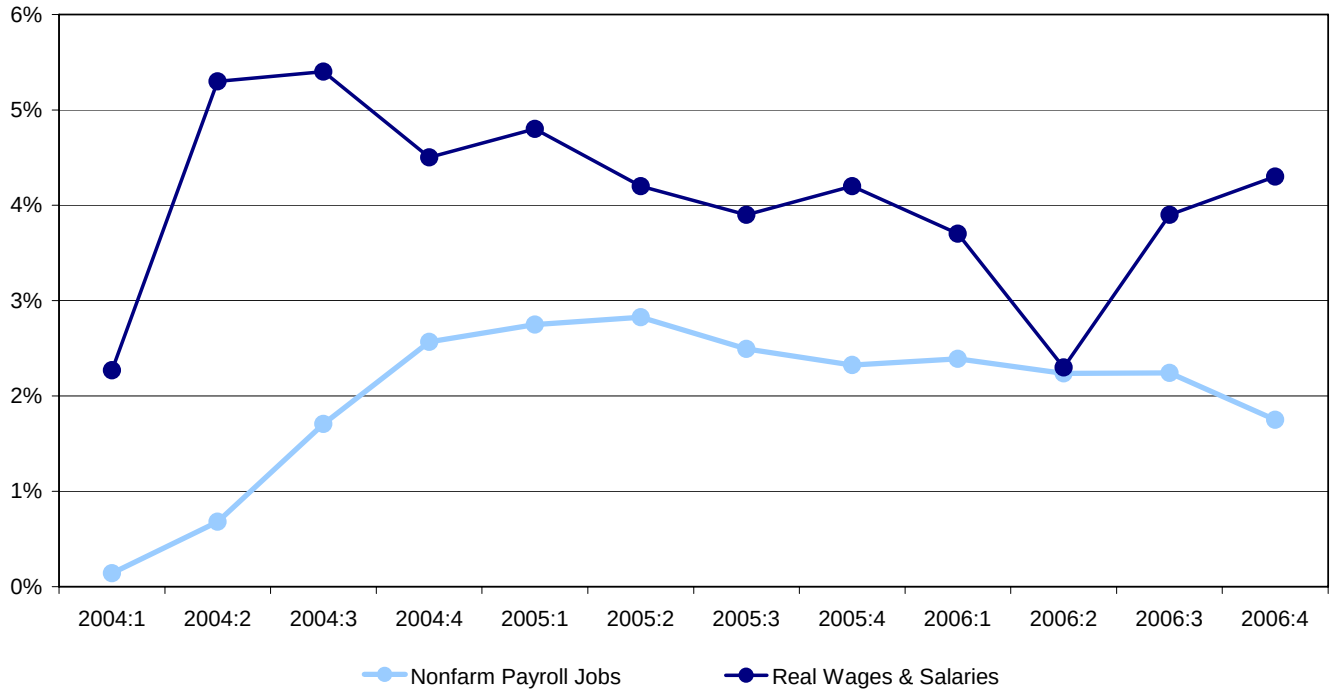
As would be expected, most of the Commonwealth's nonfarm jobs are located in MSAs (88.3 percent). In fiscal year 2006, MSA nonfarm employment was 3,269,162, while just 432,492 jobs were located in the non-MSA areas of the Commonwealth. MSA employment increased by 80,316 (2.9 percent), and non-MSAs employment decreased by 1,777 (-0.4 percent) over fiscal year 2005 levels (**Figure 8**).

Figure 8
Nonfarm Employment, Metropolitan and Non-metropolitan Areas

	Fiscal Year 2006	Fiscal Year 2005-2006 Unit Change	Fiscal Year 2005-2006 Growth Rate
Metropolitan Statistical Areas	**3,269,162**	**80,316**	**2.9 %**
Blacksburg	72,577	1,531	2.2 %
Charlottesville	97,231	4,015	4.3 %
Danville	42,346	(1,100)	(2.5) %
Harrisonburg	61,000	377	0.6 %
Lynchburg	106,462	2,554	2.5 %
Washington-Arlington-Alexandria MSA (VA portion)	1,282,023	42,200	3.4 %
Richmond	620,615	11,231	1.8 %
Roanoke	161,454	3,977	2.5 %
Virginia Beach-Norfolk-Newport News	768,577	13,331	1.8 %
Winchester	56,877	2,200	4.0 %
Non-Metropolitan Statistical Areas	**432,492**	**(1,777)**	**(0.4) %**

Source: Bureau of Labor Statistics

Figure 9
Growth in Jobs and in Real Wages and Salaries
(Year-Over-Year by Fiscal Year Quarters)



Source: Bureau of Labor Statistics and Bureau of Economic Analysis

The Commonwealth's portion of the Washington-Arlington-Alexandria MSA (42,200 or 3.4 percent) accounted for just over half of the net increase in total nonfarm employment in the Commonwealth. The other MSAs posting significant gains in fiscal year 2006 were: the Virginia Beach-Norfolk-Newport News MSA (13,331 or 1.8 percent) and the Richmond MSA (11,231 or 1.8 percent). The MSAs posting moderate gains were: the Charlottesville MSA (4,015 or 4.3 percent), the Roanoke MSA (3,977 or 2.5 percent), the Lynchburg MSA (2,554 or 2.5 percent), and the Winchester MSA (2,200 or 4.0 percent). The Blacksburg MSA (1,531 or 2.2 percent) and the Harrisonburg MSA (377 or 0.6 percent) added a small number of jobs. Only the Danville MSA posted a decline in total nonfarm employment during fiscal year 2006 (-1,100 or -2.5 percent).

Wages and Salaries[1]

Figure 9 shows the year-over-year quarterly growth rates in both real wages and salaries and nonfarm payroll jobs. The two data series have posted positive year-over-year quarterly growth rates in each of the past twelve quarters. The average year-over-year quarterly growth rate in real wages and salaries was 3.6 percent in fiscal year 2006, down from 4.3 in fiscal year 2005 and 4.4 percent in fiscal year 2004. The average year-over-year quarterly growth rate in nonfarm payroll jobs declined slightly from 2.6 percent in fiscal year 2005 to 2.2 percent in fiscal year 2006. While still expanding, the Commonwealth's economy has decelerated somewhat during fiscal year 2006.

In **Figure 10**, wages and salaries per job have been calculated by major industry sector for Virginia and the United States. In fiscal year 2006, the Commonwealth's average pay per job of $44,006 was $1,316 more than the Nation's average pay per job of $42,690. Three sectors, information (+$12,140), professional and business services (+$10,647) and government (+$4,448), had higher pay per job in the Commonwealth than in the United States. These three sectors more than made up for the eight sectors in which the Commonwealth had lower pay per job than the Nation. The sectors that had a negative differential in pay per job between the Commonwealth and the United States, in order from highest to lowest, were: natural resources and mining (-$36,675), manufacturing (-$6,372), financial activities (-$4,591), construction (-$3,345), trade, transportation and utilities (-$1,832), leisure and hospitality (-$1,779), education and health services (-$1,594) and other services (-$184). The Commonwealth, with its long-term commitment to attract high paying jobs in technology oriented sectors that began in the 1990's, has been reaping the economic benefits of this strategy for some time now, and this will likely continue into the future.

Between fiscal year 2005 and fiscal year 2006, the Commonwealth had a larger percentage increase over fiscal year 2005 than the Nation in wages and salaries per job in four of the eleven major industry sectors. These sectors were: information (7.7 percent vs. 6.2 percent), leisure and hospitality (5.6 percent vs. 4.7 percent), other services (4.4 percent vs. 4.2 percent) and government (4.0 percent vs. 2.7 percent). The seven sectors in which the United States experienced a larger percentage increase in wages and salaries per job than the Commonwealth were: natural resources and mining (7.9 percent vs. 4.7 percent), construction (7.6 percent vs. 4.3 percent), financial activities (7.2 percent vs. 5.9 percent), professional and business services (6.0 percent vs. 5.3 percent), manufacturing (5.3 percent vs. 4.1 percent), trade, transportation and utilities (4.8 percent vs. 4.2 percent) and education and health services (4.2 percent vs. 4.1 percent).

Figure 10
Wages and Salaries per Job

	Virginia Pay/Job Fiscal Year 2006	United States Pay/Job Fiscal Year 2006	Virginia Minus United States	Virginia Fiscal Year 2005-2006 % Change	United States Fiscal Year 2005-2006 % Change
Natural Resources and Mining	$ 60,597	$ 97,272	$ (36,675)	4.7 %	7.9 %
Construction	42,596	45,941	(3,345)	4.3 %	7.6 %
Manufacturing	45,016	51,388	(6,372)	4.1 %	5.3 %
Trade, Transportation, and Utilities	33,872	35,704	(1,832)	4.2 %	4.8 %
Information	77,930	65,790	12,140	7.7 %	6.2 %
Financial Activities	64,116	68,707	(4,591)	5.9 %	7.2 %
Professional and Business Services	63,764	53,117	10,647	5.3 %	6.0 %
Education and Health Services	36,896	38,490	(1,594)	4.1 %	4.2 %
Leisure and Hospitality	17,320	19,099	(1,779)	5.6 %	4.7 %
Other Services	32,957	33,141	(184)	4.4 %	4.2 %
Government	45,535	41,087	4,448	4.0 %	2.7 %
Total Nonfarm Employment	44,006	42,690	1,316	4.8 %	5.1 %

Source: Bureau of Labor Statistics and Bureau of Economic Analysis

[1] For fiscal year 2006, fourth quarter wages and salaries and personal income has been estimated.

Figure 11
Personal Income and Wage and Salary Disbursements

	Annual Growth Rates		
	Fiscal Year 2003-2004	Fiscal Year 2004-2005	Fiscal Year 2005-2006
Virginia Personal Income	5.7 %	6.8 %	6.1 %
Virginia Wages and Salaries	6.6 %	7.2 %	6.8 %
United States Personal Income	4.8 %	6.1 %	5.9 %
United States Wages and Salaries	4.4 %	5.4 %	6.6 %
Inflation, PCE Implicit Price Deflator	2.2 %	2.7 %	3.1 %
Virginia Real Personal Income	3.5 %	4.0 %	2.8 %
Virginia Real Wages and Salaries	4.4 %	4.3 %	3.5 %
United States Real Personal Income	2.6 %	3.3 %	2.7 %
United States Real Wages and Salaries	2.2 %	2.5 %	3.4 %

Source: Bureau of Economic Analysis

Personal Income and Wages and Salaries

As shown in **Figure 11**, the Commonwealth's personal income grew by 6.1 percent in fiscal year 2006, slightly slowing from 6.8 percent in fiscal year 2005 and above the 5.7 percent pace in fiscal year 2004. In fiscal year 2006, the Commonwealth's growth rate surpassed the Nation's as it has in the previous two fiscal years. In fiscal year 2006, the Commonwealth's growth rate in personal income was 0.2 percentage points higher than the United States as compared to 0.7 percentage points higher in fiscal year 2005 and 0.9 percentage points higher in fiscal year 2004. The Commonwealth ranked twenty-second in the United States in personal income growth in fiscal year 2006, down from fifteenth place in fiscal year 2005.[2] Total personal income in the Commonwealth reached $292,841 million in fiscal year 2006.

In fiscal year 2006, the growth rate of the Commonwealth's wages and salaries also declined slightly off the pace of fiscal year 2005. Wages and salaries grew by 6.8 percent in fiscal year 2006, compared to 7.2 percent in fiscal year 2005 and 6.6 percent in fiscal year 2004. As with the growth in personal income, the Commonwealth's growth rates for wages and salaries exceeded the Nation's in each of the past three fiscal years by 0.2 percentage points in fiscal year 2006, 1.8 percentage points in fiscal year 2005 and 2.2 percentage points in fiscal year 2004. The Commonwealth's rank in wage and salary growth dropped from the Nation's sixth best in fiscal year 2005 to eighteenth in fiscal year 2006. The Commonwealth's total wages and salaries were $172,227 million in fiscal year 2006.

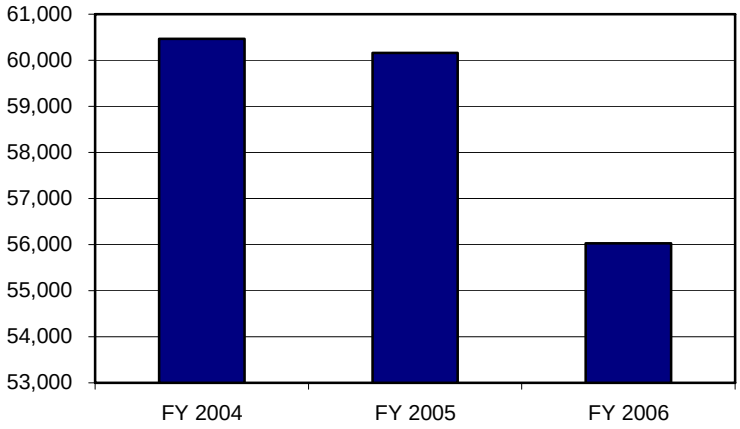
After accounting for inflation, the growth in the Commonwealth's real personal income was 2.8 percent in fiscal year 2006, 4.0 percent in fiscal year 2005 and 3.5 percent in fiscal year 2004. This compares favorably to the Nation's real personal income, which grew at 2.7 percent in fiscal year 2006, 3.3 percent in fiscal year 2005 and 2.6 percent in fiscal year 2004. Moreover, the growth rate in real wages and salaries for the Commonwealth was higher than for the United States in fiscal year 2006 (3.5 percent vs. 3.4 percent), fiscal year 2005 (4.3 percent vs. 2.5 percent) and fiscal year 2004 (4.4 percent vs. 2.2 percent).

New Privately Owned Housing Units Authorized

As shown in **Figure 12**, new privately owned housing units authorized in the Commonwealth decreased in fiscal year 2006 from the fiscal year 2005 level. In fiscal year 2006, 56,027 units were authorized, compared to 60,163 in fiscal year 2005 and 60,427 in fiscal year 2004. This amounted to a 6.9 percent decline in fiscal year 2006, compared to a 0.5 percent decline in fiscal year 2005 and a 3.6 percent increase in fiscal year 2004. The Commonwealth ranked ninth in the Nation in new privately owned housing units authorized in fiscal year 2006, dropping one spot from its eighth place in fiscal year 2005.

[2] Due to revisions in the personal income data series by the Bureau of Economic Analysis, the reported ranking in the fiscal year 2005 Virginia Economic Highlights section has been updated using the revised data.

Figure 12
Virginia New Privately Owned Housing Units Authorized



Source: Census Bureau

Retail Sales

Due to changes made in the collection of the Commonwealth's retail sales data series beginning in fiscal year 2006, historical comparisons made between Commonwealth and United States retail sales in previous fiscal year economic outlooks cannot be made this fiscal year. This includes both the unadjusted and adjusted retail sales comparisons. However, for reporting purposes only, the Commonwealth's retail sales in fiscal year 2006 were $80.6 billion and United States retail sales reached $4.3 trillion.

Forecasts

The Center for Urban Development has prepared forecasts for several Commonwealth economic indicators included in this outlook. For fiscal year 2007, both real personal income and real wages and salaries are expected to grow by 2.3 percent. The unemployment rate is projected to increase to 3.5 percent and total nonfarm employment is forecasted to increase by 2.3 percent.

Employment in nearly all major industry sectors is expected to increase during fiscal year 2007. In order from largest percentage increase to smallest: natural resources and mining (7.6 percent), construction (6.6 percent), professional and business services (2.9 percent), education and health services (2.7 percent), financial activities (2.6 percent), other services (1.6 percent), total government (0.4 percent), trade, transportation, and utilities (0.4 percent), and leisure and hospitality (0.4 percent). Only manufacturing (-0.3 percent) and information (-1.7 percent) are expected to decline.

Conclusion

The Commonwealth's economy has continued to expand in most areas in fiscal year 2006, but at a slower rate than recent fiscal years. The Commonwealth is ranked among the top states in the Nation in a number of categories including the unemployment rate (second), employment growth (seventh), personal income growth (eleventh) and new housing units authorized (ninth). The outlook for the Commonwealth in the coming fiscal year is positive, but the growth in the economy is expected to continue to slow.

MAJOR INITIATIVES

The CAFR has received unqualified audit opinions from fiscal year 1986 through fiscal year 2005. During this period, the Commonwealth has also received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. While we are very proud of these unqualified audit opinions and awards, we must be mindful of the fact that they are not automatic. The successes of the State Comptroller's office are directly attributable not only to the professionalism, experience and integrity of the State Comptroller's technical and accounting personnel, but also to the professionalism, experience and integrity of the financial and accounting personnel throughout the Commonwealth. These major initiatives will support efforts to continue our legacy of quality financial management.

ENTERPRISE ARCHITECTURE PROJECT

The Commonwealth has initiated the planning process to replace its aging administrative systems with an integrated enterprise application. This multi-year, multi-phase project will integrate our human resource, financial management and other administrative systems and deliver state-of-the-art functional capabilities. This system modernization will provide the Commonwealth with "best practice" administrative and financial processes, which will transform the way we conduct our financial and related administrative responsibilities. The first phase targets the budget and accounting systems, and the Commonwealth is currently in the general design stage.

AGENCY RISK MANAGEMENT AND INTERNAL CONTROL STANDARDS

In November 2006, the State Comptroller issued standards for establishing and assessing agency internal controls in order to more effectively manage risk and maintain accountability. Each year, agency heads certify to the State Comptroller and to the Auditor of Public Accounts that they have established, maintained and evaluated their agency's internal control framework. These new standards provide the basis against which these certifications will be measured. These standards incorporate best practices in internal control management and are an integral component of the Commonwealth's financial management goals.

REPORTING FOR OTHER POSTEMPLOYMENT BENEFITS

The GASB has issued accounting and reporting standards for other postemployment benefits. The Virginia Retirement System will implement GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plan*, in the System's published financial statements for the fiscal year ended June 30, 2007. The Commonwealth, as an employer, will implement GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB), for the fiscal year ended June 30, 2008.

The Commonwealth's OPEB programs consist of Pre-Medicare Retiree Healthcare, Line of Duty Death and Disability, Life Insurance, Long-term Disability and Health Insurance Credit. These programs promise benefits to individuals who perform services for government today to be paid following the conclusion of their service. Currently, the Commonwealth and most other government employers finance OPEB plans on a pay-as-you-go basis. Our financial statements generally do not report the financial effects of OPEB until the promised and earned benefits are paid, years after the related employee services are received.

These reporting standards will require expenses associated with these programs to be calculated and reported as the services are performed and the benefits are "earned" on an actuarial basis even though payment is deferred until after service ends. Obligations will be reported in the Commonwealth's financial statements with other "pension-like" information on funding status in the footnotes and supplementary information. These new reporting standards will raise the reporting profile of these liabilities and will pose challenges to governments on the decision of whether to pre-fund these benefits completely or partially in a manner similar to that of our pension commitments.

The Commonwealth has begun preparations to incorporate the required disclosures in the CAFR by obtaining actuarial valuations for the years ended June 30, 2005, and June 30, 2006. Based upon the most recent valuation, the Commonwealth's estimated annual required OPEB contribution is $324.4 million and the estimated unfunded actuarial liabilities are $2.3 billion.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth for its CAFR for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The Commonwealth has received a Certificate of Achievement for the last twenty consecutive years (fiscal years 1986-2005). I believe that this year's report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

This report could not have been prepared without the full cooperation of all State agencies within the Executive Branch, the Legislature, the Judiciary, the Component Units, and especially the dedication and professionalism of the financial reporting staff in the Department of Accounts.

Respectfully submitted,

David A. Von Moll

Comptroller of the Commonwealth of Virginia

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

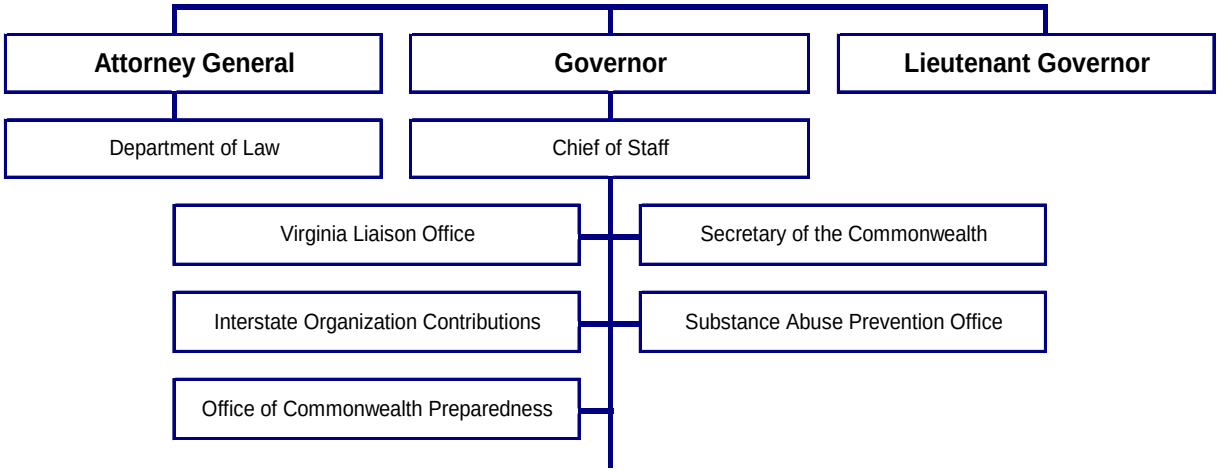
President

Executive Director

Organization Charts

Organization of Executive Branch of Government

As of June 30, 2006



Secretary of Administration
Compensation Board
Council on Human Rights
Department of Charitable Gaming
Department of Employment Dispute Resolution
Department of General Services
Department of Human Resource Management
Department of Minority Business Enterprise
State Board of Elections

Secretary of Agriculture and Forestry
Department of Agriculture and Consumer Services
Department of Forestry

Secretary of Commerce and Trade
Board of Accountancy
Department of Business Assistance
Department of Housing and Community Development
Department of Labor and Industry
Department of Mines, Minerals and Energy
Department of Professional and Occupational Regulation
Virginia Economic Development Partnership
Virginia Employment Commission
Virginia Racing Commission
Virginia Tourism Authority

Secretary of Finance
Department of Accounts
Department of Planning and Budget
Department of Taxation
Department of Treasury
Treasury Board

Secretary of Education
Christopher Newport University
The College of William and Mary
Department of Education
Frontier Culture Museum of Virginia
George Mason University
Gunston Hall
Institute for Advanced Learning and Research
James Madison University
Jamestown-Yorktown Foundation
Jamestown 2007
The Library of Virginia
Longwood University
Norfolk State University
Old Dominion University
Radford University
Roanoke Higher Education Authority
The Science Museum of Virginia
Southern Virginia Higher Education Center
Southwest Virginia Higher Education Center
State Council of Higher Education for Virginia
University of Mary Washington
University of Virginia
Virginia College Building Authority
Virginia Commission for the Arts
Virginia Commonwealth University
Virginia Community College System
Virginia Military Institute
Virginia Museum of Fine Arts
Virginia Polytechnic Institute and State University
Virginia School for the Deaf and Blind at Staunton
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton
Virginia State University

Secretary of Natural Resources
Chesapeake Bay Local Assistance Department
Chippokes Plantation Farm Foundation
Department of Conservation and Recreation
Department of Environmental Quality
Department of Game and Inland Fisheries
Department of Historic Resources
Marine Resources Commission
Virginia Museum of Natural History

Secretary of Health and Human Resources
Comprehensive Services for At-Risk Youth and Families
Department for the Aging
Department for the Blind and Vision Impaired
Department for the Deaf and Hard-of-Hearing
Department of Health
Department of Health Professions
Department of Medical Assistance Services
Department of Mental Health, Mental Retardation and Substance Abuse Services
Department of Rehabilitative Services
Department of Social Services
Office of the Inspector General
Virginia Board for People with Disabilities

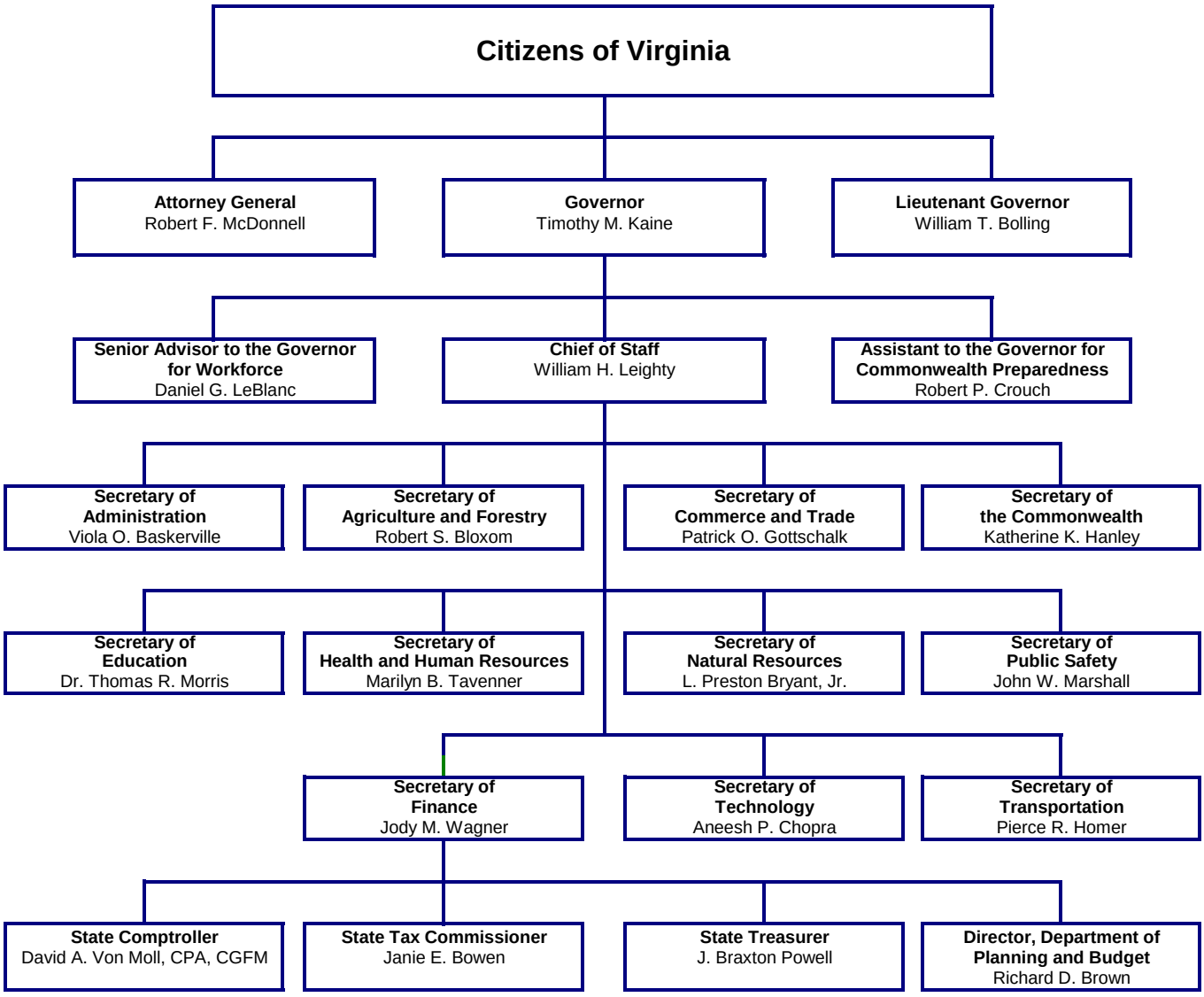
Secretary of Public Safety
Commonwealth's Attorneys' Services Council
Department of Alcoholic Beverage Control
Department of Correctional Education
Department of Corrections
Department of Criminal Justice Services
Department of Emergency Management
Department of Fire Programs
Department of Forensic Science
Department of Juvenile Justice
Department of Military Affairs
Department of State Police
Department of Veterans' Services
Virginia Parole Board

Secretary of Technology
Innovative Technology Authority
Virginia Information Technologies Agency

Secretary of Transportation
Department of Aviation
Department of Motor Vehicles
Department of Rail and Public Transportation
Department of Transportation
Motor Vehicle Dealer Board
Virginia Port Authority

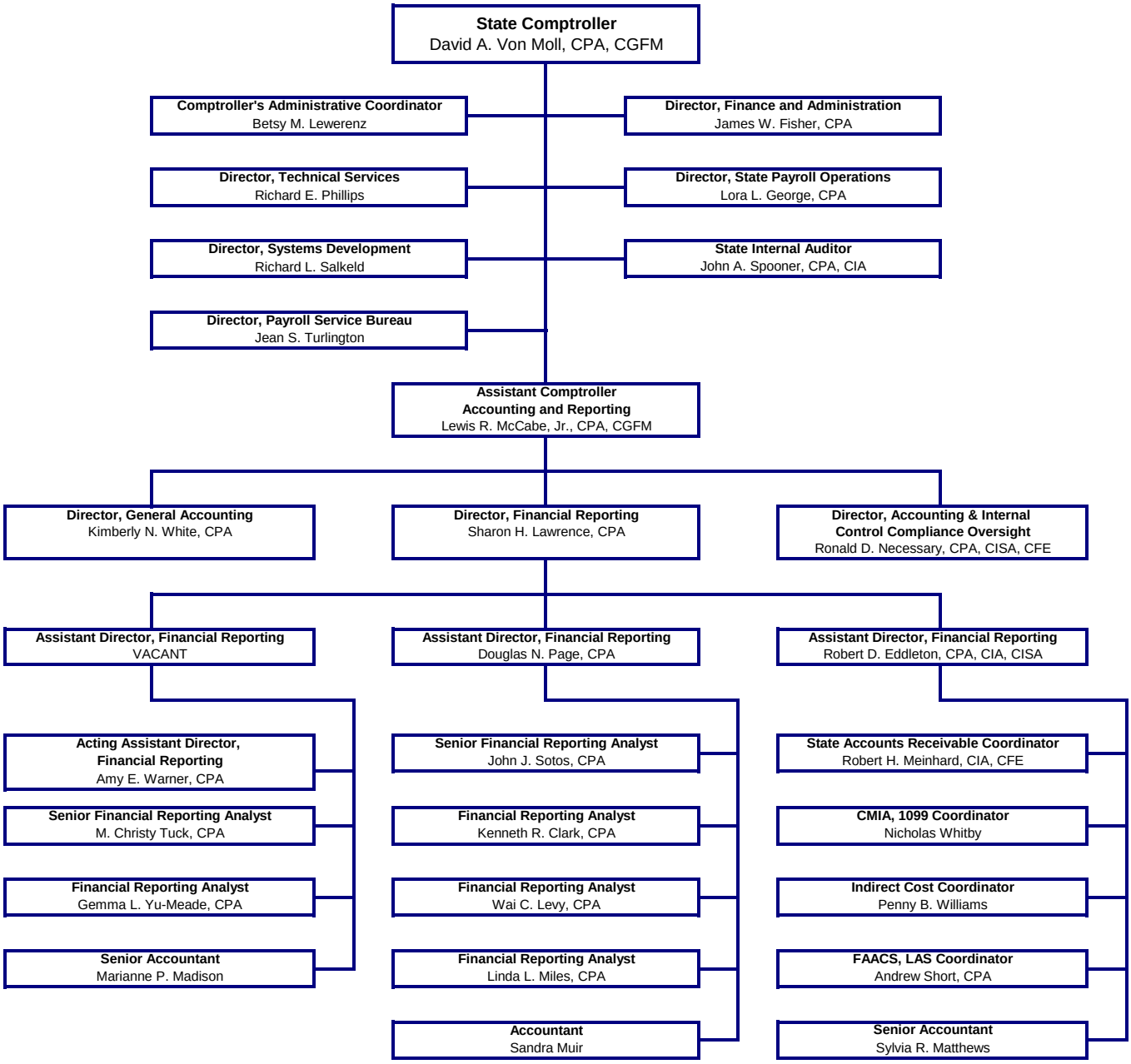
Organization of Government
Selected Government Officials - Executive Branch

As of December 15, 2006



Organization of the Department of Accounts

As of December 15, 2006



FINANCIAL SECTION

Independent Auditor’s Report
Management's Discussion and Analysis
Basic Financial Statements
Required Supplementary Information
Combining and Individual Fund Statements and Schedules

Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

December 14, 2006

The Honorable Timothy M. Kaine
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia, as of and for the year ended June 30, 2006, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commonwealth of Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain components units of the Commonwealth discussed in Note 1.B., which represent 33.06 percent, 22.16 percent, and 8.55 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain component units discussed in Note 1.B. is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Hampton Roads Sanitation District Commission, Virginia Museum of Fine Arts Foundation, Science Museum of Virginia Foundation, and Library of Virginia Foundation, which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison schedule, funding progress for defined benefit pension plans, and claims development information on pages 29 through 38 and 152 through 162 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth of Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with Government Auditing Standards, our report on our consideration of the Commonwealth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters is issued under separate cover in the Commonwealth of Virginia Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

WALTER J. KUCHARSKI
AUDITOR OF PUBLIC ACCOUNTS

Management's Discussion and Analysis

The following is a discussion and analysis of the Commonwealth of Virginia's (Commonwealth) financial performance, including an overview and analysis of the financial activities of the Commonwealth for the fiscal year ended June 30, 2006. Readers should consider this information in conjunction with the transmittal letter, which is located in the Introductory Section of this report, and the Commonwealth's financial statements, including the notes to the financial statements, which are located after this analysis.

FINANCIAL HIGHLIGHTS

Government-wide Highlights

The Primary Government's assets exceeded its liabilities at June 30, 2006, by $16.9 billion. Net assets of governmental activities increased by $1.9 billion and net assets of business-type activities increased by $420.6 million. Component units reported an increase in net assets of $1.3 billion from June 30, 2005.

Fund Highlights

At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of $5.2 billion, an increase of $1.5 billion in comparison with the prior year. Of this total fund balance, $3.9 billion represents unreserved fund balance and the remaining $1.3 billion represents amounts reserved for specific purposes, such as the Revenue Stabilization Fund and education. The enterprise funds reported net assets at June 30, 2006, of $839.9 million, an increase of $422.4 million during the year.

Long-term Debt

The Commonwealth's total debt rose during the fiscal year to $21.6 billion, an increase of $1.3 billion or 6.5 percent. During fiscal year 2006, the Commonwealth issued new debt in the amount of $963.3 million for the primary government and $2.8 billion for the component units. More detailed information regarding these activities begins on page 125.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Commonwealth's basic financial statements, which include three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The report also contains additional Required Supplementary Information and other information.

Government-wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Commonwealth's finances in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Commonwealth's financial position which helps readers determine whether the Commonwealth's financial position has improved or deteriorated during the fiscal year. These statements include all non-fiduciary financial activity on the full accrual basis of accounting. This means that all revenue and expenditures are reflected in the financial statements even if the related cash has not been received or paid as of June 30.

The Statement of Net Assets (pages 40 and 41) presents information on all of the Commonwealth's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may indicate whether the financial position of the Commonwealth is improving or deteriorating.

The Statement of Activities (pages 42 through 44) presents information showing how the Commonwealth's net assets changed during fiscal year 2006. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the Statement of Net Assets and Statement of Activities report three separate activities. These activities are described as follows:

Governmental Activities – account for functions of the Commonwealth that are primarily supported by taxes and intergovernmental revenues. The majority of the Commonwealth's basic services, such as education, individual and family services, transportation, resources and economic development, administration of justice, and general government, fall within this category.

Business-type Activities – account for functions that are intended to recover all or a significant portion of their costs through user fees and charges. The major business-type activities of the Commonwealth include the State Lottery, Virginia College Savings Plan, and Unemployment Insurance Fund.

Discretely Presented Component Units – account for functions of legally separate entities for which the Commonwealth is financially accountable. The Commonwealth has 22 non-higher education component units and 21 higher education institutions that are reported as discretely presented component units. Information regarding the individual financial statements of the component units is presented in the notes to the financial statements.

This report includes two schedules (pages 48 and 52) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities on the appropriate government-wide statements (full accrual accounting). The following indicates some of the reporting differences between the government-wide financial statements and the fund financial statements.

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Long-term liabilities, unless due and payable, are not included in the fund financial statements. These liabilities are only included in the government-wide statements.
- Internal service funds are reported as governmental activities in the government-wide statements, but are reported as proprietary funds in the fund financial statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in the governmental fund statements, but not deferred in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but are reported as expenditures in the fund financial statements.
- Bond proceeds provide current financial resources on the fund financial statements, but are recorded as long-term liabilities in the government-wide financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commonwealth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the Commonwealth's funds can be divided into three categories: governmental, proprietary, and fiduciary. Each of these categories uses different accounting approaches. Fund financial statements begin on page 46 and provide detailed information about the major individual funds.

- **Governmental funds** – Most of the basic services provided by the Commonwealth are reported in the governmental funds. These statements provide a detailed, short-term view of the functions reported as governmental activities in the government-wide financial statements. The government-wide financial statements are reported using the full accrual basis of accounting, but the governmental fund financial statements are reported using the modified accrual basis of accounting. This allows the reader to focus on assets that can be readily converted to cash and determine whether there are adequate resources to meet the Commonwealth's current needs.

  Because the focus of governmental funds is more limited than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison can help readers better understand the long-term impact of the Commonwealth's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Commonwealth reports 12 individual governmental funds. Information is presented separately in the governmental fund statements for the General, Commonwealth Transportation, Federal Trust, and Literary funds, which are all considered major funds. Data from the other 8 governmental funds are aggregated into a single column on the fund statements. Individual fund data for these nonmajor governmental funds is provided in the combining financial statements immediately following the Required Supplementary Information.

- **Proprietary funds** – The Commonwealth maintains two different types of proprietary funds, enterprise and internal service. These funds report activities that operate more like those of private sector business and use the full accrual basis of accounting. Enterprise funds report activities that charge fees for supplies or services to the general public like the State Lottery. Enterprise funds are reported as business-type activities on the government-wide financial statements. The enterprise funds use the full accrual basis of accounting and the only differences between amounts reported on the government-wide statements and the Enterprise Fund statements are due to internal service fund activity (see reconciliations on pages 54 and 56). Internal Service funds report activities that charge fees for supplies and services to other Commonwealth agencies, like Fleet Management. Internal Service funds are reported as governmental activities in the government-wide statements because these types of services predominantly benefit governments rather than business-type functions.

  The Commonwealth reports 25 individual proprietary funds. Information is presented separately in the proprietary fund statements for the State Lottery Department, Virginia College Savings Plan, and Unemployment Compensation Funds, all of which are considered major funds. In previous years, Pocahontas Parkway Association has been reported as a major fund. Due to changes in the fund's activity, it is no longer a major fund (see Note 29). Data from the other enterprise funds are aggregated into a single column on the fund statements. All internal service funds are aggregated into a single column on the fund statements. Individual fund data for all nonmajor proprietary funds is provided in the combining financial statements immediately following the Required Supplementary Information.

- **Fiduciary funds** – These funds are used to account for resources held for the benefit of parties outside the government and use the full accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because the resources of these funds are restricted and cannot be used to finance the Commonwealth's operations. The Commonwealth's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 64.

  The Commonwealth's fiduciary funds are the:

  - Private-purpose Trust, which reports the activities for 6 separate funds and accounts for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or other governments;
  - Pension and Other Employee Benefit Trust, which reports the activities of 11 separate pension and other employment retirement plans for employees;
  - Investment Trust, which accounts for the activities of the external investment pool; and,
  - Agency, which accounts for assets held on behalf of others in 19 separate funds.

  Individual fund data for all fiduciary funds is provided in the combining financial statements immediately following the Required Supplementary Information.

- **Component Units** – The government-wide financial statements report information for all component units aggregated in a single column. Information is provided separately in the component unit fund statements for the Virginia Housing Development Authority, Virginia Public School Authority, University of Virginia, Virginia Polytechnic Institute and State University, and Virginia Commonwealth University, all of which are considered major component units. Data from the other component units are aggregated into a single column on the fund statements. Individual fund data for all nonmajor component units is provided in the combining financial statements immediately following the Required Supplementary Information.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the component unit fund financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparison schedules reconciling the statutory and generally accepted accounting principles fund balances at June 30. It also includes information concerning the Commonwealth's progress in funding pension benefits and trend information for Commonwealth-managed risk pools.

Other Information

The combining statements referred to earlier in connection with nonmajor funds and component units can be found beginning on page 163 of this report. The individual fund information is aggregated into a single total on the combining financial statements, which carries forward to the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Primary Government's assets exceeded its liabilities by $16.9 billion during the fiscal year. The net assets of the governmental activities increased $1.9 billion or 13.2 percent. Business-type activities had an increase of $420.6 million or 100.3 percent, primarily due to increases for the Pocahontas Parkway Association and the Unemployment Compensation Fund The government-wide beginning balance was restated for correction of prior year errors to arrive at a restated beginning balance of $14.6 billion.

Figure 13
Net Assets as of June 30, 2006 and 2005
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	$ 10,444,470	$ 7,899,174	$ 3,350,846	$ 2,878,094	$ 13,795,316	$ 10,777,268
Capital assets	16,118,258	15,139,966	38,288	339,440	16,156,546	15,479,406
Total assets	26,562,728	23,039,140	3,389,134	3,217,534	29,951,862	26,256,674
Long-term liabilities outstanding	5,347,968	4,773,133	1,992,856	2,299,339	7,340,824	7,072,472
Other liabilities	5,116,126	4,040,783	556,420	498,919	5,672,546	4,539,702
Total liabilities	10,464,094	8,813,916	2,549,276	2,798,258	13,013,370	11,612,174
Net assets:						
Invested in capital assets, net of related debt	11,636,516	12,139,329	32,322	(132,310)	11,668,838	12,007,019
Restricted	1,588,038	1,252,362	790,087	600,218	2,378,125	1,852,580
Unrestricted	2,874,080	833,533	17,449	(48,632)	2,891,529	784,901
Total net assets	$ 16,098,634	$ 14,225,224	$ 839,858	$ 419,276	$ 16,938,492	$ 14,644,500

The largest portion of the Primary Government's net assets (68.9 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, construction in progress, and infrastructure), less any related outstanding debt used to acquire those assets. These assets are recorded net of depreciation in the financial statements. The Primary Government uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Primary Government's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (see **Figure 13**).

An additional portion of the Primary Government's net assets (14.0 percent) represents restricted net assets. These resources are subject to external restrictions or constitutional provisions specifying how they may be used. The remaining balance of $2.9 billion is unrestricted net assets (see **Figure 13**).

Approximately 97.7 percent of the Primary Government's total general revenue came from taxes. While the Primary Government's expenses cover many services, the largest expenses are for Education, Individual and Family Services, and Transportation. General revenues normally fund governmental activities. For fiscal year 2006, governmental activity program and general revenues exceeded expenses by $1.9 billion. Program revenues exceeded expenses from business-type activities by $812.1 million. The following condensed financial information (**Figure 14**) was derived from the Government-wide Statement of Activities and provides detail regarding the change in net assets (see page 42).

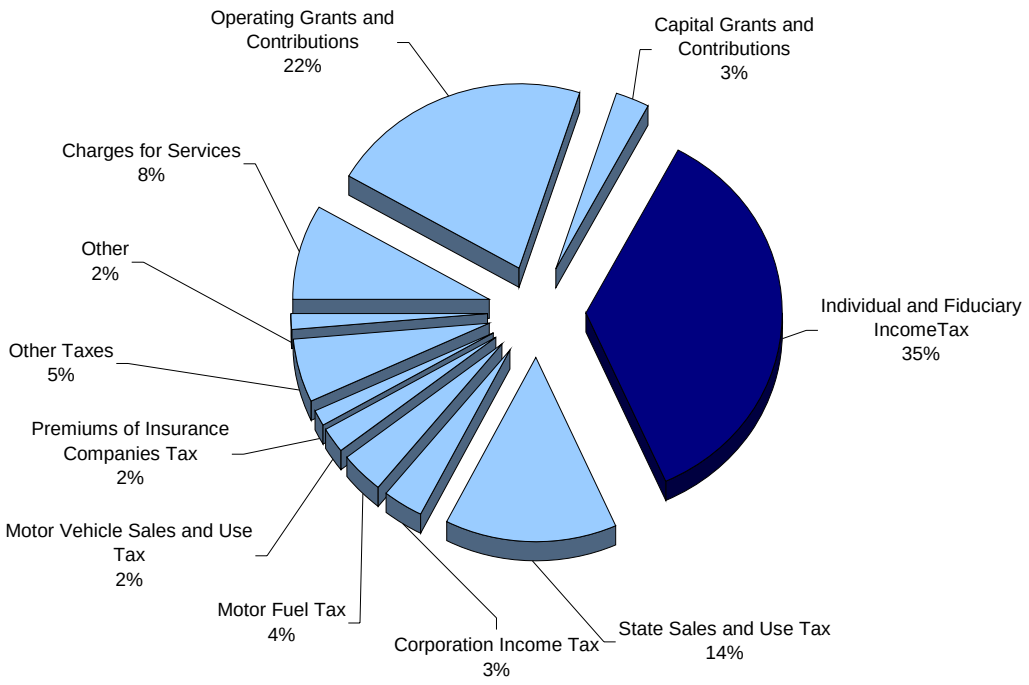
Figure 14
Changes in Net Assets for the Fiscal Years Ended June 30, 2006 and 2005
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	$ 2,122,637	$ 1,999,510	$ 2,990,035	$ 3,008,729	$ 5,112,672	$ 5,008,239
Operating Grants and Contributions	5,670,650	5,262,170	26,508	19,205	5,697,158	5,281,375
Capital Grants and Contributions	706,661	578,416	-	-	706,661	578,416
General Revenues:						
Taxes:						
Individual and Fiduciary Income	9,206,525	8,356,263	-	-	9,206,525	8,356,263
State Sales and Use	3,678,736	3,578,159	-	-	3,678,736	3,578,159
Corporation Income	837,917	651,170	-	-	837,917	651,170
Public Service Corporations	91,000	89,091	-	-	91,000	89,091
Motor Fuel	937,614	912,035	-	-	937,614	912,035
Motor Vehicle Sales and Use	593,092	598,741	-	-	593,092	598,741
Premiums of Insurance Companies	373,781	373,571	-	-	373,781	373,571
Alcoholic Beverage Sales Tax	94,364	88,730	-	-	94,364	88,730
Deeds, Contracts, Wills, and Suits	695,711	597,041	-	-	695,711	597,041
Beer and Beverage Excise	44,035	42,901	-	-	44,035	42,901
Estate	166,573	160,686	-	-	166,573	160,686
Tobacco Products	189,492	122,070	-	-	189,492	122,070
Bank Stock	12,405	9,800	-	-	12,405	9,800
Wine and Spirits/ABC Liter	16,372	14,304	-	-	16,372	14,304
Other Taxes	77,241	72,044	12,159	12,096	89,400	84,140
Unrestricted Grants and Contributions	48,109	52,703	-	-	48,109	52,703
Investment Earnings	221,533	154,306	12,179	9,913	233,712	164,219
Miscellaneous	114,732	291,025	584	662	115,316	291,687
Total Revenues	25,899,180	24,004,736	3,041,465	3,050,605	28,940,645	27,055,341
Expenses:						
General Government	2,014,875	2,029,571	-	-	2,014,875	2,029,571
Education	7,925,717	7,272,856	-	-	7,925,717	7,272,856
Transportation	2,558,787	2,197,889	-	-	2,558,787	2,197,889
Resources and Economic Development	835,382	750,595	-	-	835,382	750,595
Individual and Family Services	8,569,741	7,994,073	-	-	8,569,741	7,994,073
Administration of Justice	2,492,864	2,261,787	-	-	2,492,864	2,261,787
Interest and Charges on Long-term Debt	209,116	166,491	-	-	209,116	166,491
State Lottery	-	-	908,040	908,021	908,040	908,021
Virginia College Savings Plan	-	-	238,158	310,967	238,158	310,967
Pocahontas Parkway	-	-	-	38,797	-	38,797
Unemployment Insurance	-	-	338,624	359,189	338,624	359,189
Alcoholic Beverage Control	-	-	408,099	-	408,099	-
Local Choice Health Care	-	-	164,526	-	164,526	-
Nonmajor	-	-	146,940	653,259	146,940	653,259
Total Expenses	24,606,482	22,673,262	2,204,387	2,270,233	26,810,869	24,943,495
Excess/deficiency before transfers	1,292,698	1,331,474	837,078	780,372	2,129,776	2,111,846
Transfers	580,712	535,130	(580,712)	(535,130)	-	-
Special Items	-	-	164,216	-	164,216	-
Increase in net assets	1,873,410	1,866,604	420,582	245,242	2,293,992	2,111,846
Net assets, July 1, as restated	14,225,224	12,358,620	419,276	174,034	14,644,500	12,532,654
Net assets, June 30	$ 16,098,634	$ 14,225,224	$ 839,858	$ 419,276	$ 16,938,492	$ 14,644,500

Governmental Activities Revenues

Figure 15 is a graphical representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by $1.9 billion, or 7.9 percent. This increase is mainly attributable to activities of the General Fund which are discussed further below.

Figure 15
Revenues by Source – Governmental Activities
Fiscal Year 2006



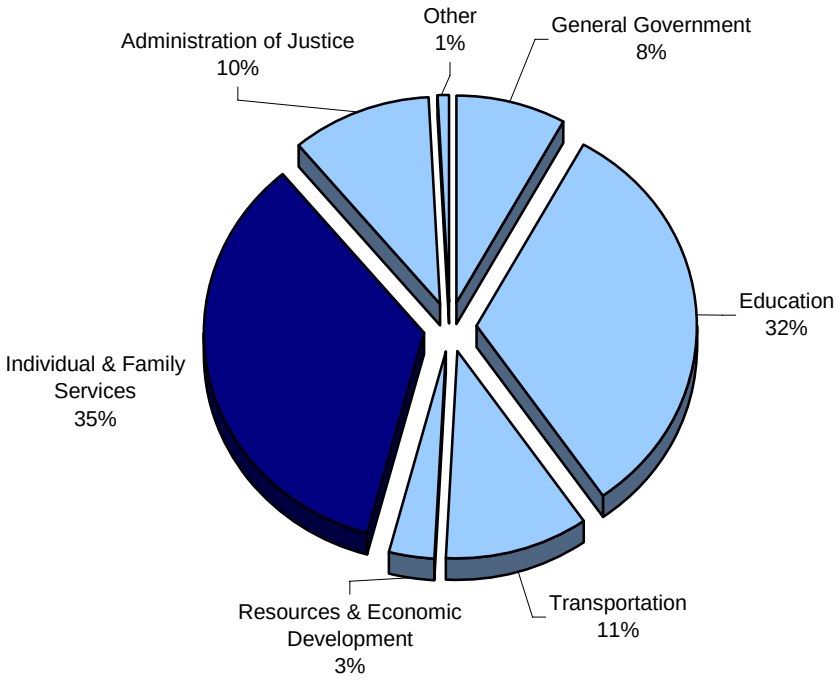
The Commonwealth's overall financial position increased in fiscal year 2006 when compared to fiscal year 2005, due to the continuing economic expansion providing additional tax revenue from individuals and corporations. In addition, fiscal year 2006 was the first full year the Commonwealth collected increased taxes pursuant to the 2004 tax reform legislation. Net tax collections increased 7.8 percent as high-income individuals and large corporations had higher tax liabilities.

General Fund revenue collections increased by $1.2 million or 8.4 percent in fiscal year 2006 when compared to fiscal year 2005. Both individual income tax final payments and corporate income tax payments were the second strongest on record over the last 15 years after last year's record setting growth in each revenue source.

Governmental Activities Expenses

Figure 16 is a graphical representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses increased by $1.9 billion or 8.5 percent. The majority of the increase is related to the General Fund which is discussed further on page 36.

Figure 16
Expenses by Type – Governmental Activities
Fiscal Year 2006



Net Assets of Business-type Activities

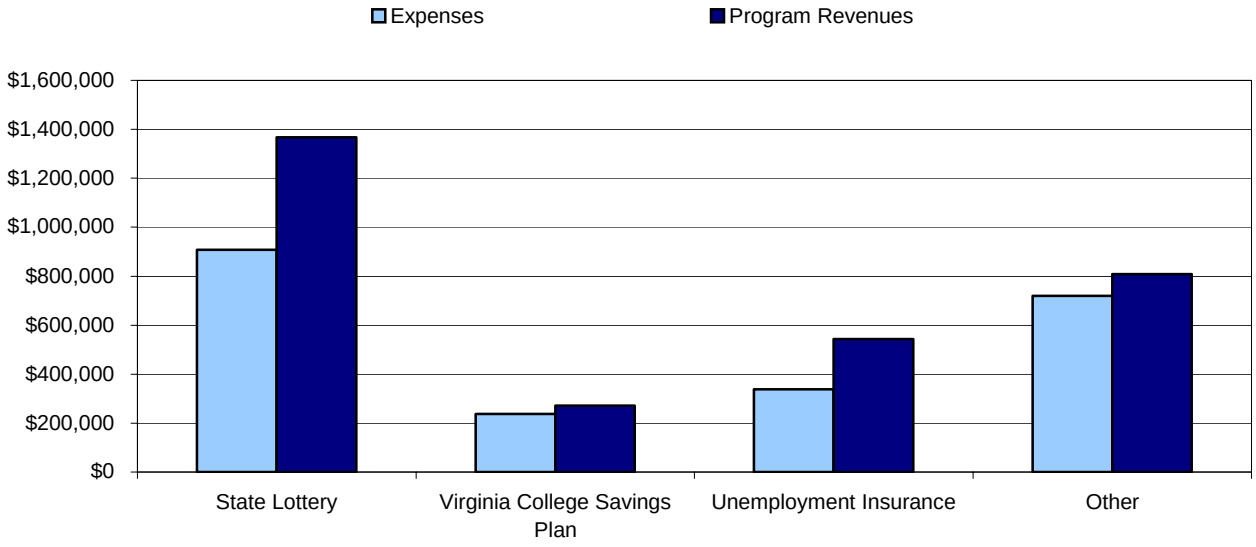
Net assets of business-type activities increased by $420.6 million during the fiscal year. Factors contributing to this change were:

- Lottery sales increased by $31.3 million (2.4 percent) over last year to a record $1.4 billion. Net income was a record $468.8 million, an increase of $36.1 million (8.4 percent) from fiscal year 2005. Sales of scratch games increased by $9.7 million (1.4 percent) and online sales increased by $21.6 million (3.3 percent).

- Virginia College Savings Plan's net assets increased by $33.5 million (55.6 percent), from a deficit of $60.2 million to a deficit of $26.8 million. This improvement in financial position is primarily attributable to better than anticipated investment performance and sound pricing pertaining to the issuance of approximately 5,700 new contracts during the fiscal year. Continued favorable market conditions generated greater than anticipated interest income as well as increased the fair value of investments. These market conditions, combined with an increased actuarial reserve resulting from the new contract sales, account for the increase.

- Unemployment Compensation Fund net assets increased by $224.5 million during fiscal year 2006. This increase is due primarily to operating income of $204.4 million and interest income of $25.6 million. This operating income reflects the continued strong employment conditions in the Commonwealth as demonstrated by premium revenues exceeding claim benefits by $204.4 million. Unemployment benefit claims were slightly lower than those of 2005. The average insurance rate for 2006 was 1.45 percent, including pool charge of .19 percent, versus a fiscal year 2005 average rate of 1.66 percent. Unemployment rates of 3.2 percent in fiscal year 2006 versus 3.6 percent in fiscal year 2005 show the continued economic expansion.

Figure 17
Business-type Activities
Program Revenues and Expenses
For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)



FUND STATEMENTS FINANCIAL ANALYSIS

As of the end of the fiscal year, the Primary Government's governmental funds reported combined ending fund balances of $5.2 billion. Of this total amount, $3.9 billion, or 73.9 percent, constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to a variety of other restricted purposes, such as the Revenue Stabilization Fund, outstanding debt and capital outlay.

General Fund Highlights

The General Fund is the chief budgetary operating fund of the Primary Government. At the end of the current fiscal year, unreserved fund balance of the general fund was $973.5 million and reserved fund balance was $1.2 billion. Total fund balance of the General Fund increased by $910.6 million during the fiscal year. The fiscal year 2006 General Fund revenues were 8.4 percent greater than the fiscal year 2005 revenues. Significant increases in expenditures took place in public education ($487.2 million or 7.8 percent) and individual and family services ($293.5 million or 8.7 percent) representing primarily the General Fund's share of increased Medicaid expenditures.

Budget Highlights

The final budget amounts include a $1.4 billion increase in revenue from that originally adopted by the General Assembly. This change is primarily attributable to the following changes:

- Individual and Fiduciary Income Taxes ($835.7 million) and Corporation Income Taxes ($343.3 million) have increased due to continued strength in the economy.
- Sales and Use Tax ($43.4 million decrease) includes the net effect of the elimination of the accelerated sales tax offset by increased collections pursuant to the 2004 tax reform legislation.
- Other Taxes increase of $233.2 million is attributable to recordation taxes resulting from continued strength in the housing market that exceeded the original duration estimates.
- Interest, Dividends and Rents increase is due to increased principal balances and higher interest rates.

The final expenditure budgets include a $342.8 million increase over that originally adopted by the General Assembly. This change is primarily attributable to the following changes:

- Individual and Family Services expenditures increased by $110.2 million primarily due to increases in the Medicaid program.
- Administration of Justice expenditures increased by $161.4 million primarily due to payroll charges associated with salary adjustments and an additional payroll being paid during fiscal year 2006.

Major Special Revenue Fund Highlights

The Commonwealth Transportation Fund ended the fiscal year with a fund balance of $1.8 billion, an increase of $469.6 million from the prior year. Of this amount, $1.6 billion is committed for various highway, public transportation, and rail preservation projects (see Note 17). The increase in fund balance was primarily the result of the following activities: in fiscal year 2006, revenues increased by $219.5 million or 7.1 percent, expenditures decreased by $33.9 million or 1.1 percent and other financing sources increased by $164.4 million. The increase in revenues is mostly attributable to a 5 percent increase in federal revenues in addition to a 40 percent increase in toll revenues collected. The decrease in expenditures is attributed to the decline in highway system acquisition and construction costs of 11.4 percent and a decline in highway system maintenance costs of 6.0 percent. This decrease in expenditures resulted from the ongoing management plan of completing projects on time and under budget in addition to a mild winter.

The Federal Trust Fund balance decreased by $12.6 million or 20.2 percent. This decrease is primarily due to a decrease of $19 million in the advance funded grant associated with the Help America Vote Act offset by an advance funded grant for Juvenile Assistance of $6 million. As a result of an increase in expenditures for the Medicaid program, federal reimbursements increased in excess of $200 million. This increase is consistent with the rate of growth in recent years. Additionally, elementary and secondary education expenditures increased resulting in additional federal reimbursements in excess of $100 million.

The Literary Fund's fund balance decreased by $18.3 million or 5.7 percent in fiscal year 2006 from fiscal year 2005. The decrease is the result of net disbursements exceeding net receipts by $32.3 million, offset by a cash transfer in of $14.0 million from the State Lottery representing unclaimed prizes.

Capital Asset and Long-term Debt

Capital Assets. The Primary Government's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to $16.1 billion (net of accumulated depreciation totaling $10.3 billion). This investment in capital assets includes land, buildings, improvements, equipment, construction in progress, and infrastructure. Infrastructure assets are items that are normally immovable such as roads, bridges, drainage systems, and other similar assets. The increase in the Primary Government's investment in governmental capital assets was primarily attributable to infrastructure increases of $350.2 million. The Primary Government reports equipment with a value of $50,000 or greater and an expected useful life of two or more years. The Primary Government capitalizes all property, plant, and infrastructure that have a cost or value greater than $100,000.

Additional information on the Primary Government's capital assets can be found in Note 12, "Capital Assets."

Figure 18
Capital Assets as of June 30, 2006
(Net of Depreciation)
(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
Land	$ 1,756,900	$ 1,977	$ 1,758,877
Buildings	1,420,689	6,795	1,427,484
Equipment	293,452	29,155	322,607
Infrastructure	9,774,994	-	9,774,994
Construction in Progress	2,872,223	361	2,872,584
Total	$ 16,118,258	$ 38,288	$ 16,156,546

Long-term Debt. The Commonwealth does not issue general obligation bonds for operating purposes. At the end of the current fiscal year, the Commonwealth had total debt outstanding of $21.6 billion including total tax supported debt of $6.4 billion and total debt not supported by taxes of $15.2 billion. Bonds backed by the full faith and credit of the government and tax-supported total $1.0 billion. An additional $1.2 billion is considered moral obligation debt which is not tax-supported. The remainder of the Commonwealth's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

During fiscal year 2006, the Commonwealth issued $3.8 billion of new debt for various projects. $963.3 million of the new debt was for the primary government and $2.8 billion for the component units. Additional information on the Commonwealth's outstanding debt can be found in Note 22. The Commonwealth maintains a "triple A" bond rating for general obligation debt from the three rating agencies: Moody's Investors Service, Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc., and Fitch, Inc.

State statutes limit the amount of general obligation debt the Commonwealth may issue for each specific type of debt. The 9(a) bonds, which have been issued to redeem previous debt obligations, are limited to 30 percent of 1.15 times the annual tax revenues for fiscal year 2006. The 9(b) bonds, which have been authorized by the citizens of Virginia through bond referenda to finance capital projects, are limited to 1.15 times the average of selected tax revenues for fiscal years 2004, 2005, and 2006. The 9(c) bonds, which have been issued to finance capital projects that will generate revenue upon their completion, are limited to 1.15 times the average of selected tax revenues for fiscal years 2004, 2005, and 2006. The current debt limitation for the Commonwealth is $4.6 billion, $13.1 billion, and $13.3 billion, respectively, for the 9(a), 9(b), and 9(c) general obligation bond issues. These limits significantly exceed the Commonwealth's outstanding general obligation debt.

Figure 19
Outstanding Debt as of June 30, 2006
General Obligation and Revenue Bonds
(Dollars in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
General obligation bonds				
9(b)	$ 626,124	$ -	$ 626,124	$ -
9(c)	90,374	-	90,374	325,969
Revenue bonds	-	-	-	-
Total	$ 716,498	$ -	$ 716,498	$ 325,969

Economic Factors and Outlook

In fiscal year 2006, Virginia's economy continued to expand, however this growth has slowed when compared to recent fiscal years. On average, the year-over-year quarterly growth rate in real wages and salaries reached 3.6 percent in fiscal year 2006, a decrease from 4.3 in fiscal year 2005. Retail sales amounted to $80.6 billion in fiscal year 2006, a 3.3 percent decrease from fiscal year 2005. New housing in Virginia fell slightly (6.9 percent), however, personal income and employment have helped the Commonwealth continue its economic expansion during fiscal year 2006. For a more in-depth discussion on the Commonwealth's economy see "Economic Outlook" on page 10.

Requests for Information

This financial report is designed to provide a general overview of the Commonwealth's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State Comptroller's Office, Commonwealth of Virginia, P. O. Box 1971, Richmond, Virginia 23218. This report is also available for download from the World Wide Web. Our Internet address is www.doa.virginia.gov.

The Commonwealth's component units issue their own separate financial statements. Contact information regarding each component unit is provided in Note 1.B.

Government-wide Financial Statements

Statement of Net Assets

June 30, 2006
(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and Cash Equivalents (Notes 1 and 6)	$ 4,094,454	$ 972,292	$ 5,066,746	$ 1,516,945
Investments (Notes 1 and 6)	3,902,920	1,912,458	5,815,378	7,678,698
Receivables, Net (Notes 1 and 7)	2,146,303	483,210	2,629,513	2,759,986
Contributions Receivable, Net (Notes 1 and 8)	-	-	-	300,242
Internal Balances (Note 1)	62,868	(62,868)	-	-
Due from Primary Government (Note 9)	-	-	-	10,206
Due from Component Units (Note 9)	-	-	-	41,740
Due from External Parties (Fiduciary Funds) (Note 9)	3,508	-	3,508	-
Inventory (Note 1)	130,057	43,038	173,095	70,164
Prepaid Items (Note 1)	44,765	2,231	46,996	66,549
Other Assets (Notes 1 and 10)	26,635	485	27,120	109,449
Loans Receivable from Primary Government (Notes 1 and 9)	-	-	-	170,793
Loans Receivable from Component Units (Notes 1 and 9)	32,960	-	32,960	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	-	-	-	1,542,823
Restricted Investments (Notes 6 and 11)	-	-	-	3,489,486
Other Restricted Assets (Note 11)	-	-	-	6,159,785
Nondepreciable Capital Assets (Notes 1 and 12)	4,629,123	2,338	4,631,461	1,825,805
Depreciable Capital Assets, Net (Notes 1 and 12)	11,489,135	35,950	11,525,085	6,195,690
Total Assets	26,562,728	3,389,134	29,951,862	31,938,361
Liabilities				
Accounts Payable (Notes 1 and 20)	637,591	43,976	681,567	656,545
Amounts Due to Other Governments	416,197	6,441	422,638	68,047
Due to Component Units (Note 9)	10,206	-	10,206	41,740
Due to External Parties (Fiduciary Funds) (Note 9)	3	-	3	-
Unearned Revenue (Note 1)	120,602	5,225	125,827	203,262
Obligations Under Securities Lending Program (Notes 1 and 6)	2,052,161	411,750	2,463,911	361,369
Other Liabilities (Notes 1 and 21)	1,354,971	59,651	1,414,622	758,059
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-	32,960
Loans Payable to Component Units (Notes 1 and 9)	170,793	-	170,793	-
Claims Payable:				
Due Within One Year (Notes 1 and 19)	133,000	20,986	153,986	-
Due in More Than One Year (Notes 1 and 19)	220,602	8,391	228,993	-
Long-term Liabilities:				
Due Within One Year (Notes 1, 18, and 22)	534,482	129,980	664,462	1,099,386
Due in More Than One Year (Notes 1, 18, and 22)	4,813,486	1,862,876	6,676,362	13,147,859
Total Liabilities	10,464,094	2,549,276	13,013,370	16,369,227

The accompanying notes are an integral part of this financial statement.

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Assets				
Invested in Capital Assets, Net of Related Debt	11,636,516	32,322	11,668,838	5,034,595
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	1,858,757
Permanent Funds	26,922	-	26,922	-
Other	-	-	-	85,214
Expendable:				
Higher Education	-	-	-	3,305,391
Permanent Funds	2,668	-	2,668	-
Revenue Stabilization Fund	1,064,665	-	1,064,665	-
Literary Fund	300,921	-	300,921	-
Gifts and Grants	77,022	-	77,022	-
Unemployment Compensation	-	789,900	789,900	-
Virginia Pooled Investment Program	-	-	-	5,357
Capital Projects/Construction/Capital Acquisition	538	187	725	1,032,606
Debt Service	94,429	-	94,429	80,693
Bond Indenture	-	-	-	1,567,190
Unexpended Lottery Proceeds	20,873	-	20,873	-
Other	-	-	-	477,475
Unrestricted	2,874,080	17,449	2,891,529	2,121,856
Total Net Assets	$ 16,098,634	$ 839,858	$ 16,938,492	$ 15,569,134

Statement of Activities

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	$ 2,014,875	$ 250,860	$ 82,238	$ -
Education	7,925,717	310,758	730,089	882
Transportation	2,558,787	600,885	13,222	689,695
Resources and Economic Development	835,382	280,188	221,054	858
Individual and Family Services	8,569,741	394,128	4,569,928	8,492
Administration of Justice	2,492,864	285,818	54,119	6,734
Interest and Charges on Long-term Debt	209,116	-	-	-
Total Governmental Activities	24,606,482	2,122,637	5,670,650	706,661
Business-type Activities:				
State Lottery	908,040	1,367,355	-	-
Virginia College Savings Plan	238,158	271,715	-	-
Unemployment Compensation	338,624	542,991	25,657	-
Alcoholic Beverage Control	408,099	497,277	851	-
Local Choice Health Care	164,526	186,174	-	-
Other	146,940	124,523	-	-
Total Business-type Activities	2,204,387	2,990,035	26,508	-
Total Primary Government	$ 26,810,869	$ 5,112,672	$ 5,697,158	$ 706,661
Component Units:				
Virginia Housing Development Authority	$ 439,739	$ 402,956	$ 137,848	$ -
Virginia Public School Authority	136,817	118,966	-	-
Higher Education:				
Major	4,841,262	3,240,419	948,428	59,736
Nonmajor	3,015,405	1,272,188	512,077	193,611
Other Nonmajor	611,363	458,648	11,534	43,373
Total Component Units	$ 9,044,586	$ 5,493,177	$ 1,609,887	$ 296,720

The accompanying notes are an integral part of this financial statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (1,681,777)	$ -	$ (1,681,777)	$ -
(6,883,988)	-	(6,883,988)	-
(1,254,985)	-	(1,254,985)	-
(333,282)	-	(333,282)	-
(3,597,193)	-	(3,597,193)	-
(2,146,193)	-	(2,146,193)	-
(209,116)	-	(209,116)	-
(16,106,534)	-	(16,106,534)	-
-	459,315	459,315	-
-	33,557	33,557	-
-	230,024	230,024	-
-	90,029	90,029	-
-	21,648	21,648	-
-	(22,417)	(22,417)	-
-	812,156	812,156	-
(16,106,534)	812,156	(15,294,378)	-
-	-	-	101,065
-	-	-	(17,851)
-	-	-	(592,679)
-	-	-	(1,037,529)
-	-	-	(97,808)
-	-	-	(1,644,802)

Continued on next page

Statement of Activities *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
General Revenues:				
Taxes:				
Individual and Fiduciary Income	9,206,525	-	9,206,525	-
Sales and Use	3,678,736	-	3,678,736	-
Corporation Income	837,917	-	837,917	-
Public Service Corporations	91,000	-	91,000	-
Motor Fuel	937,614	-	937,614	-
Motor Vehicle Sales and Use	593,092	-	593,092	-
Premiums of Insurance Companies	373,781	-	373,781	-
Alcoholic Beverage Sales Tax	94,364	-	94,364	-
Deeds, Contracts, Wills, and Suits	695,711	-	695,711	-
Beer and Beverage Excise	44,035	-	44,035	-
Estate	166,573	-	166,573	-
Tobacco Products	189,492	-	189,492	-
Bank Stock	12,405	-	12,405	-
Wine and Spirits/ABC Liter	16,372	-	16,372	-
Other Taxes	77,241	12,159	89,400	-
Operating Appropriations from Primary Government	-	-	-	1,709,535
Unrestricted Grants and Contributions	48,109	-	48,109	45,594
Investment Earnings	221,533	12,179	233,712	754,567
Miscellaneous	114,732	584	115,316	104,683
Contributions to Permanent/Term Endowments	-	-	-	172,522
VCBA Payments to Schools	-	-	-	164,349
Tobacco Master Settlement	-	-	-	41,871
Transfers	580,712	(580,712)	-	-
Special Items (Note 29)	-	164,216	164,216	(7,876)
Total General Revenues, Transfers, and Special Items	17,979,944	(391,574)	17,588,370	2,985,245
Change in Net Assets	1,873,410	420,582	2,293,992	1,340,443
Net Assets - July 1, as restated (Note 2)	14,225,224	419,276	14,644,500	14,228,691
Net Assets - June 30	$ 16,098,634	$ 839,858	$ 16,938,492	$ 15,569,134

The accompanying notes are an integral part of this financial statement.

Governmental Funds

General Fund

The General Fund accounts for transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund.

Special Revenue Funds

Special Revenue Funds account for specific revenue sources that are restricted to finance particular functions and activities of the Commonwealth.

The Commonwealth Transportation Fund accounts for the revenues and expenditures associated with highway operations, maintenance, construction, and other transportation related activities. Funding for these programs is provided from highway user taxes, fees, and funds received from the Federal government.

The Federal Trust Fund accounts for all federal dollars received by the Commonwealth except those received by the Commonwealth Transportation Fund, the Unemployment Compensation Fund, and institutions of higher education. The entire fund is restricted pursuant to federal regulations. As such, a separate fund balance reservation is not reflected.

The Literary Fund accounts for revenues from fines, forfeitures, and proceeds from unclaimed property used primarily to support public education in the Commonwealth. This fund provides low interest loans to school divisions for construction, renovations, and expansion of school buildings. The entire fund is constitutionally restricted for public schools. As such, a separate fund balance reservation is not reflected.

Nonmajor Governmental Funds include those Special Revenue, Debt Service, Capital Projects, and Permanent Funds listed on page 165 in the Combining and Individual Fund Statements and Schedules section of this report.

Balance Sheet – Governmental Funds

June 30, 2006
(Dollars in Thousands)

	General	Special Revenue		
		Commonwealth Transportation	Federal Trust	Literary
Assets				
Cash and Cash Equivalents (Notes 1 and 6)	$ 686,185	$ 1,976,472	$ 123,506	$ 141,763
Investments (Notes 1 and 6)	3,523,576	213,880	8,916	22,012
Receivables (Net) (Notes 1 and 7)	1,080,129	265,491	345,638	367,027
Due from Other Funds (Note 9)	9,391	1,803	-	-
Due from External Parties (Fiduciary Funds) (Note 9)	8	-	3,470	-
Interfund Receivable (Note 9)	-	-	-	-
Inventory (Note 1)	45,336	52,497	8,318	-
Prepaid Items (Note 1)	31,152	3,647	277	-
Other Assets (Notes 1 and 10)	1,156	20,720	2,739	-
Loans Receivable from Component Units (Notes 1 and 9)	-	-	-	-
Total Assets	$ 5,376,933	$ 2,534,510	$ 492,864	$ 530,802
Liabilities and Fund Balances				
Accounts Payable (Notes 1 and 20)	$ 185,388	$ 204,842	$ 88,794	$ 207
Amounts Due to Other Governments	294,926	1,501	116,517	-
Due to Other Funds (Note 9)	14,716	17,913	8,263	-
Due to Component Units (Note 9)	-	-	-	-
Due to External Parties (Fiduciary Funds) (Note 9)	-	-	-	-
Interfund Payable (Note 9)	-	-	2,224	-
Deferred Revenue (Note 1)	269,897	21,222	-	14,896
Unearned Revenue (Note 1)	-	24,281	33,527	-
Deferred Taxes (Note 1)	411,320	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 6)	1,363,269	430,006	17,926	44,255
Other Liabilities (Notes 1 and 21)	701,342	3,155	175,874	-
Loans Payable to Component Units (Notes 1 and 9)	-	-	-	170,523
Long-term Liabilities (Notes 1, 18, and 22)	588	212	52	-
Total Liabilities	3,241,446	703,132	443,177	229,881
Fund Balances Reserved for (Note 1):				
Revenue Stabilization Fund	1,064,665	-	-	-
Unexpended Lottery Proceeds	20,873	-	-	-
Inventory	45,336	52,497	8,318	-
Prepaid Items	31,152	3,647	277	-
Debt Service	-	-	-	-
Gifts and Grants	-	4,585	-	-
Capital Acquisition	-	-	-	-
Fund Balances Unreserved, Reported in (Note 1):				
General Fund	973,461	-	-	-
Special Revenue Funds	-	1,770,649	41,092	300,921
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
Total Fund Balances	2,135,487	1,831,378	49,687	300,921
Total Liabilities and Fund Balances	$ 5,376,933	$ 2,534,510	$ 492,864	$ 530,802

The accompanying notes are an integral part of this financial statement.

Nonmajor Governmental Funds	Total Governmental Funds
$ 838,343	$ 3,766,269
93,847	3,862,231
74,503	2,132,788
10,857	22,051
30	3,508
118,689	118,689
6,703	112,854
8,362	43,438
1,005	25,620
32,960	32,960
$ 1,185,299	$ 10,120,408
$ 64,936	$ 544,167
1,070	414,014
3,584	44,476
10,206	10,206
3	3
48,780	51,004
14,118	320,133
9,319	67,127
-	411,320
114,898	1,970,354
2,401	882,772
270	170,793
170	1,022
269,755	4,887,391
-	1,064,665
-	20,873
6,703	112,854
8,362	43,438
94,429	94,429
22,532	27,117
538	538
-	973,461
769,463	2,882,125
(16,073)	(16,073)
29,590	29,590
915,544	5,233,017
$ 1,185,299	$ 10,120,408

Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide Statement of Net Assets

June 30, 2006
(Dollars in Thousands)

Total fund balances - governmental funds (see Balance Sheet - Governmental Funds)	$	5,233,017
When capital assets (land, buildings, equipment, improvements, construction in progress, and/or infrastructure) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those capital assets among the assets of the Primary Government as a whole.		16,041,319
Long-term liabilities applicable to the Primary Government's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets.		
Pension Liability		(702,256)
Capital Lease		(126,098)
Installment Purchases		(41,972)
Compensated Absences		(320,179)
Uninsured Employer's Fund		(18,112)
Regional Jails		(13,375)
Bonds		(3,948,415)
Notes		(28,578)
Accrued Interest Payable		(59,669)
Other Obligations		(123,752)
Internal service funds are used by the Primary Government to charge costs to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets.		(91,118)
Other long-term payables are not due and payable in the current period and, therefore, are not reported in the funds.		(41,175)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		338,997
Net assets of governmental activities (see Government-wide Statement of Net Assets)	$	16,098,634

The accompanying notes are an integral part of this financial statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	General	Special Revenue: Commonwealth Transportation	Special Revenue: Federal Trust	Special Revenue: Literary
Revenues				
Taxes	$ 14,952,455	$ 2,018,318	$ -	$ -
Rights and Privileges	65,107	501,736	40	217
Institutional Revenue	8,235	-	-	-
Interest, Dividends, Rents, and Other Investment Income (Note 1)	117,029	75,837	2,667	25,697
Federal Grants and Contracts	-	523,732	5,428,334	-
Other (Note 23)	280,796	170,523	97,976	146,693
Total Revenues	15,423,622	3,290,146	5,529,017	172,607
Expenditures				
Current:				
General Government	1,562,772	1,691	121,705	1,802
Education	6,755,054	2,176	676,287	203,145
Transportation	36	3,063,939	11,280	-
Resources and Economic Development	275,498	14,180	201,633	-
Individual and Family Services	3,652,821	-	4,465,536	-
Administration of Justice	2,178,536	7,180	45,437	-
Capital Outlay	86,471	12,839	21,902	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
Total Expenditures	14,511,188	3,102,005	5,543,780	204,947
Revenues Over (Under) Expenditures	912,434	188,141	(14,763)	(32,340)
Other Financing Sources (Uses)				
Transfers In (Note 28)	648,952	211,622	8,840	14,049
Transfers Out (Note 28)	(653,969)	(300,691)	(6,672)	-
Notes Issued	-	96,515	-	-
Insurance Recoveries	171	502	-	-
Capital Leases	1,058	187	-	-
Bonds Issued	-	250,000	-	-
Premium on Debt Issuance	-	18,592	-	-
Refunding Bonds Issued	-	-	-	-
Sale of Capital Assets	1,995	4,766	-	-
Payment to Refunded Bond Escrow Agents	-	-	-	-
Total Other Financing Sources (Uses)	(1,793)	281,493	2,168	14,049
Net Change in Fund Balances	910,641	469,634	(12,595)	(18,291)
Fund Balance, July 1, as restated (Note 2)	1,224,846	1,361,744	62,282	319,212
Fund Balance, June 30	$ 2,135,487	$ 1,831,378	$ 49,687	$ 300,921

The accompanying notes are an integral part of this financial statement.

Nonmajor Governmental Funds	Total Governmental Funds
$ 72,483	$ 17,043,256
248,713	815,813
334,490	342,725
34,678	255,908
6,344	5,958,410
352,300	1,048,288
1,049,008	25,464,400
99,054	1,787,024
24,679	7,661,341
16,586	3,091,841
296,274	787,585
508,136	8,626,493
65,092	2,296,245
467,031	588,243
279,908	279,908
179,035	179,035
1,935,795	25,297,715
(886,787)	166,685
707,230	1,590,693
(52,816)	(1,014,148)
31,994	128,509
3,377	4,050
-	1,245
333,945	583,945
26,088	44,680
204,935	204,935
-	6,761
(214,312)	(214,312)
1,040,441	1,336,358
153,654	1,503,043
761,890	3,729,974
$ 915,544	$ 5,233,017

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-wide Statement of Activities

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds)	$	1,503,043
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decreases by the amount of depreciation expense charged for the year.		977,336
Bond proceeds provide current financial resources to governmental funds by issuing debt, which increases long-term bonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets.		
Debt Issuance		(680,460)
Capital Lease Proceeds		(1,245)
Bond Premiums		(44,680)
Refunding Bonds Issued		(204,935)
Repayment of Bond Principal		279,908
Payment to Refunded Bond Escrow Agent		214,313
Installment Purchase Proceeds		(31,994)
Certain expenditures are reported in the funds; however, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.		
Pension Liability		(87,318)
Capital Lease		2,480
Installment Purchases		4,361
Compensated Absences		(17,708)
Uninsured Employer's Fund		649
Regional Jails		6,912
Bonds		(2,071)
Interest		(8,141)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(46,756)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(3,842)
Some expenses are eliminated from the Statement of Activities due to the availability of long-term financial resources.		(21,539)
The net revenue (expenses) of certain activities of internal service funds is reported within governmental activities.		35,097
Change in net assets of governmental activities (See Government-wide Statement of Activities)	$	1,873,410

The accompanying notes are an integral part of this financial statement.

Proprietary Funds

The Proprietary Funds account for operations that are financed and operated in a manner similar to private business enterprises. It is the intent that the cost of providing such goods or services will be recovered through user charges.

Major Enterprise Funds

The State Lottery accounts for all receipts and expenses from the operations of the State Lottery.

The Virginia College Savings Plan administers the Virginia Prepaid Education Program. The Plan offers contracts, for actuarially determined amounts, guaranteeing full future tuition and mandatory fee payments at Virginia's higher education institutions and differing payouts at private or out-of-state institutions. The fund accounts for the actuarially determined contributions and payments for approved expenses.

The Unemployment Compensation administers the temporary partial income replacement payments to unemployed covered workers.

Nonmajor Enterprise Funds include those operations of State agencies which are listed on page 177 in the Combining and Individual Fund Statements and Schedules section of this report.

Internal Service Funds include those operations of State agencies which are listed on page 193 in the Combining and Individual Fund Statements and Schedules section of this report.

Statement of Net Assets – Proprietary Funds

June 30, 2006
(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Assets				
Current Assets:				
Cash and Cash Equivalents (Notes 1 and 6)	$ 9,356	$ 104,581	$ 723,153	$ 135,202
Investments (Notes 1 and 6)	424,126	5,573	-	16,852
Receivables, Net (Notes 1 and 7)	43,895	78,106	97,414	26,178
Due from Other Funds (Note 9)	-	-	479	-
Inventory (Note 1)	-	-	-	43,038
Prepaid Items (Note 1)	1,079	-	-	1,152
Other Assets (Notes 1 and 10)	1	-	-	166
Total Current Assets	478,457	188,260	821,046	222,588
Noncurrent Assets:				
Investments (Notes 1 and 6)	288,108	1,177,798	-	1
Receivables, Net (Notes 1 and 7)	-	237,617	-	-
Other Assets (Notes 1 and 10)	-	-	-	318
Nondepreciable Capital Assets (Notes 1 and 12)	-	-	-	2,338
Depreciable Capital Assets, Net (Notes 1 and 12)	2,920	179	-	32,851
Total Noncurrent Assets	291,028	1,415,594	-	35,508
Total Assets	769,485	1,603,854	821,046	258,096
Liabilities				
Current Liabilities:				
Accounts Payable (Notes 1 and 20)	7,075	1,274	98	35,529
Amounts Due to Other Governments	-	-	6,441	-
Due to Other Funds (Note 9)	939	-	294	7,531
Interfund Payable (Note 9)	8,000	-	-	39,890
Unearned Revenue (Note 1)	2,811	-	-	2,414
Obligations Under Securities Lending Program (Notes 1 and 6)	366,664	11,204	-	33,882
Other Liabilities (Notes 1 and 21)	35,196	95	24,126	234
Claims Payable Due Within One Year (Notes 1 and 19)	-	-	-	20,986
Long-term Liabilities Due Within One Year (Notes 1, 18, and 22)	59,837	64,428	-	5,715
Total Current Liabilities	480,522	77,001	30,959	146,181
Noncurrent Liabilities:				
Interfund Payable (Note 9)	-	-	-	6,568
Claims Payable Due in More Than One Year (Notes 1 and 19)	-	-	-	8,391
Long-term Liabilities Due in More Than One Year (Notes 1, 18, and 22)	291,647	1,553,618	-	17,611
Total Noncurrent Liabilities	291,647	1,553,618	-	32,570
Total Liabilities	772,169	1,630,619	30,959	178,751
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,310	179	-	29,833
Restricted for Unemployment Compensation	-	-	789,900	-
Restricted for Capital Acquisition	-	-	187	-
Unrestricted	(4,994)	(26,944)	-	49,512
Total Net Assets (Deficit) (Note 3)	$ (2,684)	$ (26,765)	$ 790,087	$ 79,345

Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included in business-type activities.
Net assets of business-type activities

The accompanying notes are an integral part of this financial statement.

Total	Governmental Activities Internal Service Funds
$ 972,292	$ 328,185
446,551	40,689
245,593	13,515
479	32,800
43,038	17,203
2,231	1,327
167	1,015
1,710,351	434,734
1,465,907	-
237,617	-
318	-
2,338	375
35,950	76,564
1,742,130	76,939
3,452,481	511,673
43,976	52,264
6,441	2,183
8,764	2,090
47,890	732
5,225	72,324
411,750	81,807
59,651	1,210
20,986	133,000
129,980	10,272
734,663	355,882
6,568	12,495
8,391	220,602
1,862,876	13,937
1,877,835	247,034
2,612,498	602,916
32,322	67,948
789,900	-
187	-
17,574	(159,191)
$ 839,983	$ (91,243)
(125)	
$ 839,858	

Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Operating Revenues:				
Charges for Sales and Services	$ 1,365,326	$ 166,206	$ 542,991	$ 788,529
Interest, Dividends, Rents, and Other Investment Income (Note 1)	-	105,184	-	3,658
Other (Note 23)	-	-	-	26,604
Total Operating Revenues	1,365,326	271,390	542,991	818,791
Operating Expenses:				
Cost of Sales and Services	85,125	-	-	294,270
Prizes and Claims (Note 24)	759,518	-	338,624	157,179
Tuition Benefits Expense	-	230,131	-	-
Personal Services	19,252	3,498	-	88,093
Contractual Services	33,358	3,752	-	41,209
Supplies and Materials	2,041	48	-	17,860
Depreciation and Amortization (Note 25)	4,814	52	-	15,304
Rent, Insurance, and Other Related Charges	1,477	221	-	19,716
Interest Expense	-	-	-	26,414
Non-recurring Cost Estimate Payments to Providers	-	-	-	42,357
Distribution of On-Line Revenue	-	-	-	11,665
Other (Note 26)	-	71	-	2,267
Total Operating Expenses	905,585	237,773	338,624	716,334
Operating Income	459,741	33,617	204,367	102,457
Nonoperating Revenues (Expenses):				
Interest, Dividends, Rents, and Other Investment Income (Note 1)	10,550	325	25,657	4,002
Insurance Recoveries	-	-	-	497
Other (Note 27)	(1,522)	(325)	-	(428)
Total Nonoperating Revenues (Expenses)	9,028	-	25,657	4,071
Income Before Transfers	468,769	33,617	230,024	106,528
Transfers In (Note 28)	-	-	-	59
Transfers Out (Note 28)	(468,965)	(141)	(5,500)	(106,165)
Special Items (Note 29)	-	-	-	164,216
Change in Net Assets	(196)	33,476	224,524	164,638
Total Net Assets (Deficit), July 1	(2,488)	(60,241)	565,563	(85,293)
Total Net Assets (Deficit), June 30 (Note 3)	$ (2,684)	$ (26,765)	$ 790,087	$ 79,345

Some amounts reported for business-type activies in the Statement of Activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.
Change in Net Assets of business-type activities

The accompanying notes are an integral part of this financial statement.

	Governmental Activities	
	Total	Internal Service Funds
	$ 2,863,052	$ 1,256,174
	108,842	-
	26,604	-
	2,998,498	1,256,174
	379,395	60,936
	1,255,321	800,026
	230,131	-
	110,843	94,403
	78,319	179,160
	19,949	11,863
	20,170	22,162
	21,414	21,968
	26,414	353
	42,357	-
	11,665	-
	2,338	47,734
	2,198,316	1,238,605
	800,182	17,569
	40,534	8,656
	497	117
	(2,275)	2,728
	38,756	11,501
	838,938	29,070
	59	5,823
	(580,771)	(1,656)
	164,216	-
	422,442	33,237
	417,541	(124,480)
	$ 839,983	$ (91,243)
	(1,860)	
	$ 420,582	

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Cash Flows from Operating Activities:				
Receipts for Sales and Services	$ 1,367,221	$ 160,418	$ 552,602	$ 804,721
Receipts from Investments	-	-	-	2,143
Internal Activity-Receipts from Other Funds	-	-	3,571	5,991
Internal Activity-Payments to Other Funds	-	(367)	-	(14,896)
Payments to Suppliers for Goods and Services	(84,808)	(155)	-	(335,357)
Payments for Prizes, Claims, and Loss Control (Note 32)	(813,385)	-	(335,098)	(154,497)
Payments for Tuition Benefits	-	(42,997)	-	-
Payments to Employees	(19,061)	(3,526)	-	(89,326)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	(38,020)
Payments for Interest	-	-	-	(9,046)
Other Operating Revenue (Note 32)	-	-	-	4,755
Other Operating Expense (Note 32)	(34,678)	(3,640)	-	(40,365)
Net Cash Provided by (Used for) Operating Activities	415,289	109,733	221,075	136,103
Cash Flows from Noncapital Financing Activities:				
Transfers In From Other Funds	-	-	-	227
Transfers Out to Other Funds	(468,055)	(141)	(5,500)	(240,978)
Other Noncapital Financing Receipt Activities (Note 32)	9,034	-	-	174,004
Other Noncapital Financing Disbursement Activities (Note 32)	(15,000)	-	-	(40,047)
Net Cash Provided by (Used for) Noncapital Financing Activities	(474,021)	(141)	(5,500)	(106,794)
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(578)	(112)	-	(5,390)
Payment of Principal and Interest on Bonds and Notes	(3,126)	-	-	(7,998)
Proceeds from Sale of Capital Assets	-	-	-	28
Other Capital and Related Financing Receipt Activities (Note 32)	-	-	-	336
Other Capital and Related Financing Disbursement Activities (Note 32)	-	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(3,704)	(112)	-	(13,024)
Cash Flows from Investing Activities:				
Purchase of Investments	(6,605)	(2,011,929)	-	-
Proceeds from Sales or Maturities of Investments	60,130	1,841,169	-	2,176
Investment Income on Cash, Cash Equivalents, and Investments	8,057	73,952	25,657	3,198
Net Cash Provided by (Used for) Investing Activities	61,582	(96,808)	25,657	5,374
Net Increase (Decrease) in Cash and Cash Equivalents	(854)	12,672	241,232	21,659
Cash and Cash Equivalents, July 1	9,144	86,278	481,921	96,680
Cash and Cash Equivalents, June 30	$ 8,290	$ 98,950	$ 723,153	$ 118,339
Reconciliation of Cash and Cash Equivalents:				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	$ 9,356	$ 104,581	$ 723,153	$ 135,202
Cash and Travel Advances	1	-	-	166
Less:				
Securities Lending Cash Equivalents	(1,067)	(5,631)	-	(17,029)
Cash and Cash Equivalents per the Statement of Cash Flows	$ 8,290	$ 98,950	$ 723,153	$ 118,339

The accompanying notes are an integral part of this financial statement.

	Governmental Activities	
	Total	Internal Service Funds
$	2,884,962	$ 911,098
	2,143	-
	9,562	388,676
	(15,263)	(7,969)
	(420,320)	(136,254)
	(1,302,980)	(772,205)
	(42,997)	-
	(111,913)	(101,286)
	(38,020)	-
	(9,046)	-
	4,755	2
	(78,683)	(167,320)
	882,200	114,742
	227	5,823
	(714,674)	(1,656)
	183,038	5,805
	(55,047)	-
	(586,456)	9,972
	(6,080)	(23,628)
	(11,124)	(6,975)
	28	621
	336	298
	-	(632)
	(16,840)	(30,316)
	(2,018,534)	-
	1,903,475	-
	110,864	7,002
	(4,195)	7,002
	274,709	101,400
	674,023	186,683
$	948,732	$ 288,083
$	972,292	$ 328,185
	167	1,015
	(23,727)	(41,117)
$	948,732	$ 288,083

Continued on next page

Statement of Cash Flows – Proprietary Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Reconciliation of Operating Income To Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	$ 459,741	$ 33,617	$ 204,367	$ 102,457
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Depreciation and Amortization	4,814	52	-	15,304
Accretion of Principal	-	-	-	16,151
Interest, Dividends, Rents, and Other Investment Income	(25,121)	(105,088)	-	(708)
Miscellaneous Nonoperating Income	-	-	-	(1,969)
Other Expenses	-	-	-	87
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	2,388	(6,372)	10,712	1,422
(Increase) Decrease in Due From Other Funds	-	-	(20)	-
(Increase) Decrease in Other Assets	-	-	-	-
(Increase) Decrease in Inventory	316	-	-	(3,314)
(Increase) Decrease in Prepaid Items	1,106	-	-	(195)
Increase (Decrease) in Accounts Payable	1,223	220	(1)	3,566
Increase (Decrease) in Amounts Due to Other Governments	-	-	2,173	-
Increase (Decrease) in Claims Payable	-	-	-	2,699
Increase (Decrease) in Due to Other Funds	(170)	-	9	(2,713)
Increase (Decrease) in Unearned Revenue	(494)	-	-	51
Increase (Decrease) in Other Liabilities	(341)	91	3,835	(1,597)
Increase (Decrease) in Long-term Liabilities: Due Within One Year	765	3,393	-	376
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	(28,938)	183,820	-	4,486
Net Cash Provided by (Used for) Operating Activities	$ 415,289	$ 109,733	$ 221,075	$ 136,103
Noncash Investing, Capital, and Financing Activities:				
The following transactions occurred prior to the statement of net assets date:				
Installment Purchases Used to Finance Capital Assets	$ -	$ -	$ -	$ 1,727
Change in Fair Value of Investments	-	31,136	-	-
Capital Asset Addition Included in Accounts Payable	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	$ -	$ 31,136	$ -	$ 1,727

The accompanying notes are an integral part of this financial statement.

	Governmental Activities
Total	Internal Service Funds
$ 800,182	$ 17,569
20,170	22,162
16,151	-
(130,917)	-
(1,969)	415
87	-
8,150	7,598
(20)	6,848
-	1
(2,998)	(1,191)
911	2,676
5,008	4,908
2,173	898
2,699	32,629
(2,874)	1,623
(443)	24,805
1,988	(4,162)
4,534	876
159,368	(2,913)
$ 882,200	$ 114,742
$ 1,727	$ 3,718
31,136	-
-	1,485
$ 32,863	$ 5,203

Fiduciary Funds

Private Purpose Funds

Private Purpose Funds are trust arrangements that benefit individuals, private organizations, or other governments.

Pension and Other Employee Benefit Trust Funds

Pension and Other Employee Benefit Trust Funds reflect the activities of the retirement systems and postemployment benefits administered by the Virginia Retirement System (VRS) for the Commonwealth.

Investment Trust Fund

Investment Trust Fund reflects the external portion of the Local Government Investment Pool sponsored by the Commonwealth.

Agency Funds

Agency Funds report those funds for which the Commonwealth acts solely in a custodial capacity.

A listing of all Fiduciary Funds is located on pages 202-203 in the Combining and Individual Fund Statements and Schedules section of this report. Combining financial statements for all Fiduciary Funds begin on page 204.

Statement of Fiduciary Net Assets – Fiduciary Funds

June 30, 2006
(Dollars in Thousands)

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Agency Funds
Assets				
Cash and Cash Equivalents (Notes 1 and 6)	$ 26,165	$ 311,319	$ 1,739,690	$ 212,442
Investments (Notes 1 and 6):				
Bonds and Mortgage Securities	6	10,452,964	83,894	-
Stocks	152,275	16,380,194	-	-
Fixed Income Commingled Funds	-	2,166,851	-	-
Index and Pooled Funds	171,954	14,502,372	-	-
Real Estate	-	1,524,935	-	-
Private Equity	-	2,708,592	-	-
Mutual and Money Market Funds	16,250,017	-	-	-
Short-term Investments	-	1,382,053	852,862	81,116
Other	123,819	4,019,996	-	309,657
Total Investments	16,698,071	53,137,957	936,756	390,773
Receivables (Notes 1 and 7):				
Accounts	130	-	-	123,012
Contributions	-	115,209	-	-
Interest and Dividends	792	141,595	10,403	-
Security Transactions	-	1,842,223	-	-
Other Receivables	-	84,086	-	-
Total Receivables	922	2,183,113	10,403	123,012
Due from Internal Parties (Governmental and Business Type Activities) (Note 9)	-	-	-	3
Due from External Parties (Fiduciary Funds) (Note 9)	-	15,632	-	-
Other Assets (Notes 1 and 10)	-	-	-	3,060
Furniture and Equipment (Note 1)	-	6,780	-	-
Total Assets	16,725,158	55,654,801	2,686,849	729,290
Liabilities				
Accounts Payable and Accrued Expenses (Notes 1 and 20)	975	152,628	-	11,202
Amounts Due to Other Governments	-	-	-	248,836
Due to Internal Parties (Governmental Funds and Business-type Activities) (Note 9)	-	-	8	3,500
Due to External Parties (Fiduciary Funds) (Note 9)	-	15,632	-	-
Obligations Under Securities Lending Program (Notes 1 and 6)	2,487	4,019,013	-	6,812
Other Liabilities (Notes 1 and 21)	69	3,759	-	458,549
Retirement Benefits Payable	-	178,985	-	-
Refunds Payable	-	6,102	-	-
Compensated Absences Payable (Notes 1 and 18)	165	1,410	-	-
Insurance Premiums and Claims Payable	-	30,943	-	391
Payable for Security Transactions	-	2,492,766	-	-
Pension Liability	196	1,787	-	-
Total Liabilities	3,892	6,903,025	8	729,290
Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes	$ 16,721,266	$ 48,751,776	$ 2,686,841	$ -

The accompanying notes are an integral part of this financial statement.

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund
Additions:			
Investment Income:			
Interest, Dividends, and Other Investment Income	$ 1,516,753	$ 5,740,587	$ 85,765
Distributions to Shareholders from Net Investment Income	-	-	(85,877)
Total Investment Income	1,516,753	5,740,587	(112)
Less Investment Expenses	14,159	400,082	-
Net Investment Income	1,502,594	5,340,505	(112)
Proceeds from Unclaimed Property	9,472	-	-
Contributions:			
Participants	4,571,692	-	-
Member	-	40,339	-
Employer	-	1,672,254	-
Total Contributions	4,571,692	1,712,593	-
Shares Sold	-	-	4,160,562
Reinvested Distributions	-	-	85,877
Other Revenue (Note 23)	10	185	-
Total Additions	6,083,768	7,053,283	4,246,327
Deductions:			
Loan Servicing Payments	88	-	-
Tuition Benefits	394,580	-	-
Retirement Benefits	-	2,102,134	-
Refunds to Former Members	-	91,232	-
Retiree Health Insurance Credits	-	72,482	-
Insurance Premiums and Claims	21,327	111,490	-
Trust Payments	3	-	-
Administrative Expenses	17,688	22,121	-
Other Expenses (Note 26)	1,015	492	-
Shares Redeemed	680,660	-	3,858,163
Long-term Disability Benefits	-	27,339	-
Total Deductions	1,115,361	2,427,290	3,858,163
Transfers:			
Transfers In	-	255	-
Transfers Out	-	(255)	-
Total Transfers	-	-	-
Net Increase	4,968,407	4,625,993	388,164
Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes			
July 1, as restated (Note 2)	11,752,859	44,125,783	2,298,677
June 30	$ 16,721,266	$ 48,751,776	$ 2,686,841

The accompanying notes are an integral part of this financial statement.

Component Units

Component Units are organizations that are legally separate from the Primary Government. Each discrete Component Unit serves or benefits those outside of the primary government.

The Virginia Housing Development Authority provides investment in and stimulates construction of low to moderate income housing for the citizens of the Commonwealth.

The Virginia Public School Authority provides financing for capital construction of primary and secondary schools to cities and counties.

The Higher Education Institutions account for the resources received and used in the operation of the Commonwealth's institutions of higher education and medical teaching hospitals. Higher education institutions included in this section are:

University of Virginia, including the University of Virginia College at Wise, and the University of Virginia Hospital
Virginia Polytechnic Institute and State University
Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority

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Nonmajor Component Units include those listed on page 225 in the Combining and Individual Fund Statements and Schedules section of this report.

Statement of Net Assets – Component Units

June 30, 2006
(Dollars in Thousands)

	Virginia Housing Development Authority	Virginia Public School Authority	University of Virginia	Virginia Polytechnic Institute and State University
Assets				
Cash and Cash Equivalents (Notes 1 and 6)	$ 101,205	$ 7,346	$ 356,700	$ 78,476
Investments (Notes 1 and 6)	259,598	2,667,051	4,005,527	123,885
Receivables, Net (Notes 1 and 7)	120,488	43,540	193,354	74,746
Contributions Receivable, Net (Note 8)	-	-	78,153	54,535
Due from Primary Government (Note 9)	-	-	-	811
Due from Component Units (Note 9)	-	-	9,360	7,637
Inventory (Note 1)	1,630	-	18,874	16,030
Prepaid Items (Note 1)	-	-	14,344	9,818
Other Assets (Notes 1 and 10)	6,081	-	52,968	5,023
Loans Receivable from Primary Government (Notes 1 and 9)	-	170,523	-	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	606,284	97,593	105,019	140,576
Restricted Investments (Notes 6 and 11)	169,385	-	372,404	454,675
Other Restricted Assets (Note 11)	6,022,808	-	-	11,119
Nondepreciable Capital Assets (Notes 1 and 12)	2,837	-	442,572	107,577
Depreciable Capital Assets, Net (Notes 1 and 12)	13,311	-	1,421,761	744,822
Total Assets	7,303,627	2,986,053	7,071,036	1,829,730
Liabilities				
Accounts Payable (Notes 1 and 20)	31,210	22	208,758	82,020
Amounts Due to Other Governments	-	61,812	-	-
Due to Component Units (Note 9)	-	-	-	-
Unearned Revenue (Note 1)	-	-	61,740	37,087
Obligations Under Securities Lending Program (Notes 1 and 6)	-	-	257,070	3,687
Other Liabilities (Notes 1 and 21)	73,401	56,039	303,637	31,546
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-	6,856
Long-term Liabilities (Notes 1, 18, and 22):				
Due Within One Year	424,698	237,152	75,218	52,160
Due in More Than One Year	4,959,064	2,622,745	770,884	381,113
Total Liabilities	5,488,373	2,977,770	1,677,307	594,469
Net Assets				
Invested in Capital Assets, Net of Related Debt	(3,475)	-	1,194,745	545,944
Restricted For:				
Nonexpendable:				
Higher Education	-	-	688,007	251,356
Other	-	-	-	-
Expendable:				
Higher Education	-	-	2,062,193	385,287
Virginia Pooled Investment Program	-	-	-	-
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	821	-	-
Bond Indenture	1,567,190	-	-	-
Other	-	-	-	-
Unrestricted	251,539	7,462	1,448,784	52,674
Total Net Assets	$ 1,815,254	$ 8,283	$ 5,393,729	$ 1,235,261

The accompanying notes are an integral part of this financial statement.

Virginia Commonwealth University	Nonmajor Component Units	Total
$ 250,417	$ 722,801	$ 1,516,945
342,884	279,753	7,678,698
148,429	2,179,429	2,759,986
29,874	137,680	300,242
2,069	7,326	10,206
7,102	17,641	41,740
11,110	22,520	70,164
5,226	37,161	66,549
19,092	26,285	109,449
-	270	170,793
98,901	494,450	1,542,823
405,040	2,087,982	3,489,486
19,833	106,025	6,159,785
142,742	1,130,077	1,825,805
763,860	3,251,936	6,195,690
2,246,579	10,501,336	31,938,361
97,827	236,708	656,545
-	6,235	68,047
-	41,740	41,740
21,603	82,832	203,262
1,160	99,452	361,369
145,415	148,021	758,059
1,525	24,579	32,960
36,113	274,045	1,099,386
586,945	3,827,108	13,147,859
890,588	4,740,720	16,369,227
507,593	2,789,788	5,034,595
199,151	720,243	1,858,757
-	85,214	85,214
187,242	670,669	3,305,391
-	5,357	5,357
-	1,032,606	1,032,606
-	79,872	80,693
-	-	1,567,190
-	477,475	477,475
462,005	(100,608)	2,121,856
$ 1,355,991	$ 5,760,616	$ 15,569,134

Statement of Activities – Component Units

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Virginia Housing Development Authority	$ 439,739	$ 402,956	$ 137,848	$ -
Virginia Public School Authority	136,817	118,966	-	-
Higher Education:				
University of Virginia	2,207,203	1,487,443	525,860	26,158
Virginia Polytechnic Institute & State University	900,766	384,319	193,733	20,476
Virginia Commonwealth University	1,733,293	1,368,657	228,835	13,102
Total Higher Education	4,841,262	3,240,419	948,428	59,736
Nonmajor Component Units:				
Higher Education	3,015,405	1,272,188	512,077	193,611
Other	611,363	458,648	11,534	43,373
Total Nonmajor Component Units	3,626,768	1,730,836	523,611	236,984
Total Component Units	$ 9,044,586	$ 5,493,177	$ 1,609,887	$ 296,720

The accompanying notes are an integral part of this financial statement.

Net (Expenses) Revenue	General Revenues: Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous	Contributions to Permanent / Term Endowments	VCBA Payments to Schools	Tobacco Master Settlement
$ 101,065	$ -	$ -	$ 44,907	$ 127	$ -	$ -	$ -
(17,851)	-	-	3,838	7,168	-	-	-
(167,742)	161,430	904	467,806	22,033	16,933	32,773	-
(302,238)	243,446	966	47,101	34,567	80,849	12,624	-
(122,699)	185,188	3,495	44,333	5,886	4,799	17,736	-
(592,679)	590,064	5,365	559,240	62,486	102,581	63,133	-
(1,037,529)	1,044,746	33,315	107,969	33,522	57,850	101,216	-
(97,808)	74,725	6,914	38,613	1,380	12,091	-	41,871
(1,135,337)	1,119,471	40,229	146,582	34,902	69,941	101,216	41,871
$ (1,644,802)	$ 1,709,535	$ 45,594	$ 754,567	$ 104,683	$ 172,522	$ 164,349	$ 41,871

Continued on next page

Statement of Activities – Component Units *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Special Items (Note 29)	Changes in Net Assets	Net Assets July 1 as restated (Note 2)	Net Assets June 30
Virginia Housing Development Authority	$ -	$ 146,099	$ 1,669,155	$ 1,815,254
Virginia Public School Authority	-	(6,845)	15,128	8,283
Higher Education:				
University of Virginia	-	534,137	4,859,592	5,393,729
Virginia Polytechnic Institute & State University	-	117,315	1,117,946	1,235,261
Virginia Commonwealth University	-	138,738	1,217,253	1,355,991
Total Higher Education	-	790,190	7,194,791	7,984,981
Nonmajor Component Units:				
Higher Education	-	341,089	2,895,705	3,236,794
Other	(7,876)	69,910	2,453,912	2,523,822
Total Nonmajor Component Units	(7,876)	410,999	5,349,617	5,760,616
Total Component Units	$ (7,876)	$ 1,340,443	$ 14,228,691	$ 15,569,134

The accompanying notes are an integral part of this financial statement.

Index to the Notes to the Financial Statements

1. Summary of Significant Accounting Policies
   - A. Basis of Presentation 74
   - B. Reporting Entity 74
   - C. Government-wide and Fund Financial Statements 79
   - D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation 80
   - E. Budgetary Process 82
   - F. Cash, Cash Equivalents, and Investments 82
   - G. Receivables 83
   - H. Contributions Receivable, Net 83
   - I. Internal Balances 83
   - J. Inventory 83
   - K. Prepaid Items 83
   - L. Interfund Loans Receivable/Payable 83
   - M. Other Assets 83
   - N. Capital Assets 83
   - O. Accounts Payable 84
   - P. Unearned and Deferred Revenue 84
   - Q. Deferred Taxes 84
   - R. Obligations Under Securities Lending Program 85
   - S. Other Liabilities 85
   - T. Claims Payable 85
   - U. Long-term Liabilities 85
   - V. Reserved Fund Balances 85
   - W. Unreserved, Designated Fund Balances 85
   - X. Unreserved, Undesignated Fund Balances 85
   - Y. Cash Management Improvement Act 85
   - Z. Interest, Dividends, Rents, and Other Investment Income 86
   - AA. Intrafund Eliminations 86
   - BB. Interfund Activity 86
2. Restatement of Beginning Balances 86
3. Deficit Fund Balances/Net Assets 89
4. General Fund Analysis – Basis of Budgeting 90
5. Revenue Stabilization Fund 90
6. Cash, Cash Equivalents, and Investments 91
7. Receivables 100
8. Contributions Receivable, Net 100
9. Interfund Assets/Liabilities 101
10. Other Assets 105
11. Restricted Assets 106
12. Capital Assets 106
13. Retirement and Pension Systems
    - A. Plan Description 108
    - B. Summary of Significant Accounting Policies 109
    - C. Funding Policy 109
    - D. Annual Pension Cost and Net Pension Obligation 110
    - E. Defined Contribution Plan for Political Appointees 110
    - F. Defined Contribution Plan for Public School Superintendents 111
    - G. Virginia Supplemental Retirement Plan 111
    - H. Higher Education Fund (Component Unit) 111
    - I. Other Component Units 112
14. Other Employment Benefits 114
15. Deferred Compensation Plans 115
16. State Non-Arbitrage Pool 116
17. Commitments
    - A. Construction Projects 116
    - B. Operating Leases 117
    - C. Investment Commitments – Virginia Retirement System 117
    - D. Tobacco Grants 117
18. Accrued Liability for Compensated Absences 118
19. Insurance
    - A. Self-Insurance 118
    - B. Public Entity Risk Pools 119
20. Accounts Payable 121
21. Other Liabilities 122
22. Long-term Liabilities 125
23. Other Revenue 141
24. Prizes and Claims 142
25. Depreciation and Amortization 142
26. Other Expenses 143
27. Other Non-Operating Revenue/Expenses 143
28. Transfers 144
29. Special Items 145
30. On-Behalf Payments 145
31. Endowments 145
32. Cash Flows – Additional Detailed Information 146
33. Tobacco Settlement and Securitization 148
34. Public-Private Partnership 148
35. Contingencies
    - A. Grants and Contracts 148
    - B. Litigation 149
    - C. Subject to Appropriation 149
    - D. Bailment Inventory 149
    - E. Pocahontas Parkway 149
36. Subsequent Events 149

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared in conformance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

B. Reporting Entity

For financial reporting purposes, the Commonwealth of Virginia's (the "Commonwealth's") reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable (blended component units), and (3) other component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and they are financially accountable to the primary government (discrete component units). The funds of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or a component unit have been included. GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* (GASBS No. 39) requires the inclusion of numerous organizations that raise and hold funds for the direct benefit of the primary government.

Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification) describes the criteria for determining which organizations, functions, and activities should be considered part of the Commonwealth for financial reporting purposes. The basic criteria include appointing a voting majority of an organization's governing body, and the Commonwealth's ability to impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Commonwealth.

(1) Primary Government – A primary government consists of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, and departments are, for financial reporting purposes, part of the primary government.

(2) Blended Component Units – Though legally separate entities, these component units are, in substance, part of the primary government's operations. The blended component unit serves or benefits the primary government almost exclusively. Financial information from these units is combined with that of the primary government. Blended component units are:

Pocahontas Parkway Association (Nonmajor Enterprise Fund) – The Association, a private, non-stock, nonprofit corporation was created to develop, construct, and provide financing for the Route 895 Connector Project (project). The Association is a blended component unit of the Department of Transportation (Primary Government) because it is fiscally dependent on the primary government and provides services entirely to the benefit of the Commonwealth. During the fiscal year, the Association sold the assets and obligations of the project (see Note 29).

Virginia Public Building Authority (VPBA) (Nonmajor Governmental Funds) – The Authority was created as a body politic and corporate and is fiscally independent. A government instrumentality, the Authority finances the acquisition and construction of buildings for the use of the Commonwealth and other approved purposes. The Governor appoints the seven-member board, and the primary government is able to impose its will on the Authority. The Auditor of Public Accounts audits the Authority, and a separate report is issued from the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218.

(3) Discrete Component Units – Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These discrete component units serve or benefit those outside of the primary government.

GASBS No. 39 generally requires any organization that raises and holds economic resources for the direct benefit of the reporting entity to be reported as a component unit, even if the reporting entity is not financially accountable for the organization. The entities are included in the Commonwealth's reporting entity as nonprofit charitable organizations and exist solely to support the Commonwealth's higher education institutions, museums, and the Library of Virginia. The higher education institution nonprofit organizations are included

in the applicable higher education institution's column in the accompanying financial statements. The museum foundations, and the Library of Virginia Foundation, which are discretely presented, are more fully described later in this footnote. The Virginia Horse Center Foundation, a component unit of the Virginia Equine Center (Center) (Nonmajor Component Unit), is included in the Center's column in the accompanying financial statements. In all instances where separate disclosure of these nonprofit organizations is required in the accompanying footnotes, the entities' totals are aggregated and disclosed as "Foundations." Discretely presented component units are:

Higher Education Institutions – The Commonwealth's higher education institutions are granted broad corporate powers by State statutes. The Governor appoints the members of each institution's Board of Trustees. In addition to the annual appropriations to support the institutions' operations, the State provides funding for, and construction of, major academic plant facilities for the institutions. Therefore, there is a financial benefit/burden to the primary government. The bonds issued to finance the construction of these facilities are obligations of the State. The major higher education institutions are: University of Virginia, including the University of Virginia Hospital and the University of Virginia's College at Wise; Virginia Polytechnic Institute and State University; and Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority. The nonmajor Higher Education Institutions are: the College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science; Virginia Military Institute; Virginia State University; Norfolk State University; University of Mary Washington; James Madison University; Radford University; Old Dominion University; George Mason University; Virginia Community College System; Christopher Newport University; and Longwood University. The Southwest Virginia Higher Education Center, the Roanoke Higher Education Authority, the Institute for Advanced Learning and Research and the Southern Virginia Higher Education Center are also included as nonmajor higher education institutions. The colleges and universities are funded through State appropriations, tuition, Federal grants, and private donations and grants. As noted previously, certain Foundations are considered component units of the higher education institutions, and are included in the accompanying financial statements as well as the higher education institutions' individually published financial statements. The Auditor of Public Accounts (APA) does not audit component units of the higher education institutions, including Foundations, but relies on the reports issued by other auditors to render his opinion.

The APA audits the colleges and universities, and individual reports are issued under separate cover. Complete financial statements for each institution may be obtained from their respective administrative offices. The addresses for these institutions may be obtained from the Virginia Department of Accounts, 101 North 14th Street, Richmond, Virginia 23219.

Virginia Housing Development Authority (VHDA) (Major) – The Authority was created as a political subdivision and instrumentality of the Commonwealth and is granted both politic and corporate powers by the *Code of Virginia*. The Governor appoints a majority of the Authority's Board members and the remainder of the Board members are ex-officio. The Commonwealth may make grants to the Authority including, but not limited to, reserve funds, which is a potential financial benefit/burden to the primary government. The State is not legally obligated by the debt of the Authority. The Authority was created in the public interest to provide investment in and stimulate construction of low to moderate income housing which benefits the citizens of the Commonwealth. The administrative offices of the Authority are located at 601 South Belvidere Street, Richmond, Virginia 23220. KPMG, LLP audited the Authority, and a separate report is available.

Virginia Public School Authority (VPSA) (Major) – The Authority was created as a public body corporate, and an agency and instrumentality of the Commonwealth to finance capital projects of city and county school boards. The Governor appoints the board members, who serve at his pleasure. Therefore, the primary government is able to impose its will on the Authority. The Auditor of Public Accounts audits the Authority, and a separate report is issued from the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218.

Virginia Economic Development Partnership (VEDP) (Nonmajor) – The Partnership was created as a body corporate and operates to encourage, stimulate, and support the development and expansion of commerce in the Commonwealth. The Governor appoints the 15-member board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Byrd Street, Post Office Box 798, Richmond, Virginia 23218-0798. The Auditor of Public Accounts audits the Partnership, and a separate report is issued.

Virginia Outdoors Foundation (Nonmajor) – The Foundation was created as a body politic and is administratively assigned to the

Department of Conservation and Recreation (Primary Government) and charged with promoting preservation through the acceptance of donated conservation easements and raising funds for the purchase of preservation land. The Governor appoints the seven-member Board of Trustees, and the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 101 North 14th Street, 17th Floor, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Foundation as part of the Department of Conservation and Recreation and discloses its existence in that report.

Virginia Port Authority (VPA) (Nonmajor) – The Authority was established as a corporate body and operates to serve the citizens and promote commerce through the harbors and ports of Virginia. The Governor appoints a majority of the 12-member board, and the primary government is able to impose its will on the Authority. There is also a financial benefit/burden to the primary government. The administrative offices of the Authority are located at 600 World Trade Center, Norfolk, Virginia 23510. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia Resources Authority (VRA) (Nonmajor) – The Authority was created as a statewide public body corporate political subdivision of the Commonwealth to provide financing of infrastructure projects for water supply, wastewater, storm water, solid waste treatment, airports, public safety, brownfields remediation and redevelopment, and recycling. The Governor appoints the 11-member board and the Executive Director of the Authority. The primary government is able to impose its will on the Authority, and there is a financial benefit/burden to the primary government. The Commonwealth does not guarantee any bonds issued by the Virginia Resources Authority. The administrative offices of the Authority are located at 707 East Main Street, Suite 1350, Richmond, Virginia 23219. Goodman and Company, LLP audited the Authority, and a separate report is available.

Virginia Tourism Authority (Nonmajor) – The Authority was created as a public body corporate and as a political subdivision of the Commonwealth. The Authority encourages, stimulates, and promotes tourism and film production industries of the Commonwealth. The Governor appoints all of the board members, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Byrd Street, 19th Floor, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia Tobacco Settlement Foundation (Nonmajor) – The Foundation was created as a body corporate and as a political subdivision of the Commonwealth. The Foundation was established to determine the appropriate recipients of monies in the Virginia Tobacco Settlement Fund and to distribute monies in this fund for such efforts as restricting the use of tobacco products by minors and the enforcement of laws restricting the distribution of tobacco products to minors. The Governor appoints the majority of the board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 701 East Franklin Street, 5th Floor, Richmond, Virginia, 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Tobacco Indemnification and Community Revitalization Commission (Nonmajor) – The Commission was created as a body corporate and as a political subdivision of the Commonwealth. The Commission was established to determine the appropriate recipients of the monies in the Tobacco Indemnification and Community Revitalization Fund. This fund is to provide payments to tobacco farmers as compensation for the adverse economic effects resulting from loss of investment in specialized tobacco equipment and barns, and lost tobacco production opportunities. It also provides monies to revitalize tobacco dependent communities. The Governor appoints the majority of the board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 701 East Franklin Street, Suite 501, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Commission, and a separate report is issued.

Hampton Roads Sanitation District Commission (Nonmajor) – The Commission was established as a political subdivision of the Commonwealth and a government instrumentality. The Commission, which is the governing Board of the District, was granted corporate powers by the *Code of Virginia*. The Governor appoints the Commission members, who serve at his pleasure. Therefore, the primary government is able to impose its will on the Commission. The Commonwealth is not obligated by the debt of the Commission. The Commission was established to benefit the inhabitants of the District and operates a sewage system for 17 localities in the Chesapeake Bay area. The address for the administrative offices of the Commission is 1436 Air Rail Ave, Post Office Box 5915, Virginia Beach, Virginia 23471. KPMG, LLP, audited the Commission, and a separate report is available.

Virginia Biotechnology Research Park Authority (Nonmajor) – The Authority is a legally separate, political subdivision of the Commonwealth created by the General Assembly to assist in the development of a biotechnology research park. The Governor appoints the board members of the Authority, and there is a potential financial benefit/burden to the primary government. The administrative offices of the Authority are located at 800 East Leigh Street, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Small Business Financing Authority (SBFA) (Nonmajor) – The Virginia Small Business Financing Act of 1984 (Chapter 28, Title 9, *Code of Virginia*) established the Authority as a public body corporate and a political subdivision of the Commonwealth. The Governor appoints the 11-member board, and the primary government is able to impose its will on the Authority. The Authority was created to assist small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses. The Authority can provide financial assistance to small businesses by providing loans, guarantees, insurance, and other assistance, thereby encouraging the investment of private capital in small businesses in the Commonwealth. The Authority can loan money to local governments as defined by the *Code of Virginia* for economic development purposes. The Authority also guarantees loans made to small businesses by banks. The administrative offices of the Authority are located at 707 East Main Street, Suite 300, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia Schools for the Deaf and Blind Foundation (Nonmajor) – The Foundation operates as a non-private educational and fundraising organization solely in connection with, and exclusively for the benefit of the Virginia School for the Deaf and Blind at Staunton (Primary Government) and the Virginia School for the Deaf, Blind and Multi-Disabled at Hampton (Primary Government), and within the jurisdiction and management of the Virginia Board of Education. The Foundation uses a December 31 calendar year end. The administrative offices of the Foundation are located at the Virginia Department of Education, 101 North 14th Street, Richmond, Virginia, 23219. The Auditor of Public Accounts audits the Foundation along with the audit of the Department of Education, and a separate report is issued.

Science Museum of Virginia Foundation (Nonmajor) – The Foundation is a non-stock, non-profit corporation established to implement and fund programs, projects, and operations that are authorized and approved by the Trustees of the Science Museum of Virginia (Primary Government). The administrative offices of the Foundation are located at the Science Museum of Virginia, 2500 W. Broad Street, Richmond, Virginia 23220. Cherry, Bekaert, & Holland, LLP, audits the Foundation, and a separate report is issued.

Virginia Museum of Fine Arts Foundation (Nonmajor) **–** The Foundation operates as a non-profit corporation under the laws of Virginia to fund exhibitions, programs, and capital asset expansion to ensure that the Virginia Museum of Fine Arts (Primary Government) has the space and resources for art to help improve the quality of life for many. The administrative offices of the Foundation are located at 2800 Grove Avenue, Richmond, Virginia 23221. KPMG, LLP, audits the Foundation and a separate report is issued.

A. L. Philpott Manufacturing Extension Partnership (Nonmajor) – The Partnership has the mission to foster economic growth by enhancing the competitiveness of Virginia's manufacturers. The Partnership provides manufacturing firms with fee-based technology consulting services, access to business modernization resources, and support for interfirm collaboration. Further, the Partnership provides direct assistance to increase sales, decrease costs, and improve quality, productivity, and competitiveness. The Partnership has a 23-member Board of Trustees. The Board consists of the presidents of two public four-year institutions of higher education; three community college presidents; the director of Virginia's Center for Innovative Technology; Virginia's Secretary of Commerce and Trade; and fifteen citizen members, representing manufacturing industries, appointed by the Governor. There is also a financial benefit/burden to the primary government. The administrative office is located at Patrick Henry Community College, 645 Patriot Avenue, Post Office Box 5311, Martinsville, Virginia 24115. The Auditor of Public Accounts audits the Partnership, and a separate report is issued.

Virginia Equine Center Foundation (Nonmajor) – The Foundation was created as a body politic and corporate, and operates the Virginia Equine Center (Center) for the benefit of the equine and tourism industries. In 1994, the Commonwealth began making grant payments to the Foundation to keep the Center from falling into default on its debt. The Governor appoints a majority of the 11-member board, and there is a financial benefit/burden to the primary government. As previously noted, the Center includes the Virginia Horse Center Foundation as part of its report, pursuant to GASBS No. 39. The address for the administrative offices of the Foundation is Post Office Box 1051, Lexington, Virginia 24450. The accounting firm of Raetz

and Hawkins, P.C. audits the Foundation, and a separate report is available.

Certified Nursing Facility Education Initiative (Nonmajor) – The Initiative was created as a nonprofit corporation by the *Code of Virginia* to assist the Department of Medical Assistance Services (DMAS) (Primary Government). The Initiative provides early on-site training and assistance to certified nursing facilities to improve quality of care and life to certified nursing facility residents. The address for the administrative offices of the Initiative is Post Office Box 465, Orange, Virginia 22960. Cole & King, LLC, CPA's audits the Initiative. As of November 1, 2005, the Initiative has ceased operations. Any residual assets will be distributed in fiscal year 2007.

Assistive Technology Loan Fund Authority – The Authority was created as a political subdivision and public body corporate by the *Code of Virginia*. The Governor appoints the board of directors as directed by the *Code*. The Authority manages a fund to provide loans to individuals to acquire assistive technology, other equipment, or other authorized purposes designed to help disabled individuals become more independent. The administrative offices are located at 1602 Rolling Hills Drive, Suite 106, Richmond, Virginia 23229. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia Land Conservation Foundation (Nonmajor) – The Foundation was created as a body politic and corporate to serve the Department of Conservation and Recreation (Primary Government) by acquiring interests in preservation land and providing grants to other entities to acquire interests in preservation land. The Governor appoints the 18-member board, and the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 203 Governor Street, Suite 402, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Foundation as part of the Department of Conservation and Recreation and discloses its existence in that report.

Virginia Arts Foundation (Nonmajor) – The Foundation was created as a body politic and corporate to serve the Virginia Commission for the Arts (Primary Government) by promoting the arts in the Commonwealth. The Governor appoints the Board of Trustees for the Virginia Commission for the Arts, which also serves as the Board for the Virginia Arts Foundation. The Director of the Virginia Commission for the Arts serves as the Board chairman. In addition, the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 223 Governor Street, Richmond, VA 23219. The Auditor of Public Accounts audits the foundation as part of the Virginia Commission for the Arts.

Library of Virginia Foundation (Nonmajor) – The Foundation was created as a private, nonprofit 501 (c) (3) corporation supporting the Library of Virginia. The Foundation was established in 1984 upon receipt of a major bequest. The articles of incorporation stipulate that the Foundation shall at all times be operated solely in connection with, and exclusively for the benefit of the Virginia State Library. The Foundation is governed by a separate Board of Directors and promotes and supports the Library of Virginia in all activities. Yount, Hyde & Barbour, PC, audits the Foundation, and a separate report is issued.

Innovative Technology Authority (ITA) (Nonmajor) – The Authority is granted corporate powers by the *Code of Virginia*. The Authority serves to facilitate the marketing, organization, and development of scientific research and technology by the State's institutions of higher education and private industry in the Commonwealth. The Governor appoints the 16-member board, and there is a financial benefit/burden to the primary government. The Authority's combined financial statements include the accounts of the Center for Innovative Technology (CIT) after elimination of all significant intercompany balances and transactions. CIT is a nonstock, not-for-profit corporation, which acts as the operating arm of the Authority. The address for the administrative offices of the Authority is CIT Building, Suite 600, 2214 Rock Hill Road, Herndon, Virginia 20170. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia College Building Authority (VCBA) (Nonmajor) – The Authority was created as a public body corporate, a political subdivision, and an agency and instrumentality of the Commonwealth. The Governor appoints a majority of the board and members serve at his pleasure. Therefore, the primary government is able to impose its will on the Authority. The Authority finances certain capital projects and equipment purchases of State-supported colleges and universities. The Auditor of Public Accounts audits the Authority, and a separate report is issued from the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218.

Only the activity of the Authority that relates to the financing of capital projects and equipment purchases by State-supported colleges and universities is included in the financial statements. The Authority assists private institutions of higher education in the financing and refinancing of a broad range of facilities. The Authority is authorized to issue obligations and lend the proceeds to private institutions; however, such financings or refinancings are

not obligations of the Primary Government nor the Authority, but are payable solely from the revenues pledged by the respective private institution. This indebtedness, totaling $385.1 million, is not included in the financial statements.

(4) Related Organizations – Organizations for which a primary government appoints a majority of the Board, but is not financially accountable, are related organizations. Related organizations are:

Tobacco Settlement Financing Corporation – The Corporation was created by the Tobacco Settlement Financing Corporation Act, Chapters 482 and 488 of the Acts of the General Assembly of the Commonwealth of Virginia (Commonwealth) during the 2002 General Assembly Session. The Corporation is a public body corporate entity and an independent instrumentality of the Commonwealth, managed by a six-member board, including the State Treasurer. The Corporation purchased fifty percent of the future tobacco settlement revenue belonging to the Tobacco Indemnification and Community Revitalization Commission, a discrete component unit of the Commonwealth. The Commonwealth's tobacco revenue was not securitized. The administrative offices of the Corporation are located at 101 N. 14th Street, 3rd Floor P.O. Box 1879 Richmond, Virginia 23218-1879. Goodman and Company, LLP audited the Corporation, and a separate report is available.

Virginia Recreational Facilities Authority – The Authority was created as a political subdivision and instrumentality of the Commonwealth and given separate corporate powers by the *Code of Virginia*. The Governor appoints the 13-member board of directors. The Authority operates educational programs, tourism, and commerce in the Roanoke Valley. The address for the administrative offices of the Authority is 3900 Rutrough Road, Roanoke, Virginia 24014. Foti, Flynn, Lowen and Company audited the Authority, and a separate report is available.

Miller School of Albemarle – The School was created through the will of Samuel Miller of Lynchburg to provide a quality education for poor and orphaned children in central Virginia. Initially, the Commonwealth was charged with oversight of the Miller Trust Fund, which supported the School. The Governor appoints 5 of the 22 members of the board. The administrative offices of the School are located at 1000 Samuel Miller Loop, Charlottesville, Virginia 22903. Joseph J. Saunders, III, CPA, Inc. audited the School, and a separate report is available.

Jamestown-Yorktown Educational Trust – The Trust was created as a nonprofit corporation by the *Code of Virginia* to assist the Jamestown-Yorktown Foundation (Foundation). The Trust Board consists of six members selected from the Foundation's Board of Trustees. Several Commonwealth officials serve as ex-officio members of the Foundation's Board, and the Governor appoints twelve members. The Trust operates the Jamestown Settlement and Yorktown Victory Centers' gift shops and café, oversees investments, and sponsors events. The address for the administrative offices of the Trust is Post Office Box 3605, Williamsburg, Virginia 23187. Goodman and Company, LLP, audited the Trust, and a separate report is available.

Virginia Birth-Related Neurological Injury Compensation Program – The Program was created to provide a no-fault alternative for birth-related neurological injuries. The Governor appoints the 7-member board. The administrative offices of the Program are located at 9100 Arboretum Parkway Suite 365, Richmond, Virginia 23236. Cherry, Bekaert, & Holland audited the Program, and a separate report is available.

Chesapeake Bay Bridge and Tunnel Commission – The Commission was created to establish policy and administer operations of the Chesapeake Bay Bridge Tunnel District. Any of the 11 members of the Commission appointed or reappointed on or after July 1, 1998, shall be appointed by the Governor, subject to confirmation by each house of the General Assembly. The administrative offices of the Commission are located at Post Office Box 111, 32386 Lankford Highway, Cape Charles, Virginia 23310. KPMG, LLP, audited the Commission, and a separate report is available.

C. Government-wide and Fund Financial Statements

The government-wide financial statements, the Statement of Net Assets and the Statement of Activities, report information on all nonfiduciary activities of the primary government and component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Also, the primary government activity is reported separately from the legally separate component units for which the Commonwealth is financially accountable.

The Statement of Activities demonstrates the degree to which direct expenses of a specific function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. In addition, to the extent that indirect costs are allocated to the various functions, the program expenses will include both direct and

indirect costs. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit, as well as investment income generated by operations. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items properly excluded from program revenues are reported as general revenues.

Net assets are restricted when constraints are placed on them that are imposed by external parties or constitutional provisions. Designations solely imposed by the Commonwealth's management are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, the Commonwealth's policy is to use the restricted resources first. Some institutions of higher education may follow a different policy.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and component units. However, fiduciary funds are not included in the government-wide statements. Major governmental funds, enterprise funds, and component units are reported as separate columns in the fund financial statements, with nonmajor funds being aggregated into a single column.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Primary Government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year (or one year for Medicaid). Significant revenues subject to accrual include Federal grants and income and sales taxes. Income tax revenues for tax underpayments are only recognized to the extent of the Primary Government's estimated refunds for tax overpayments received. Revenues that the Primary Government earns by incurring obligations are recognized in the same period as when the obligations are recognized. Expenditures generally are recorded when a liability is incurred, as under full accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when the payment is due.

The Primary Government reports the following major governmental funds:

General Fund – Accounts for the transactions related to resources received and used for those services traditionally provided by a State government, which are not accounted for in any other fund. These services include general government, legislative and judicial activities, public safety, health and mental health programs, resources and economic development, licensing and regulation, and primary and secondary education.

Commonwealth Transportation Special Revenue Fund – Accounts for the revenues and expenditures associated with highway operations, maintenance, construction, and other transportation related activities. Funding for these programs is received from highway user taxes, fees, and funds received from the Federal government.

Federal Trust Special Revenue Fund – Accounts for all federal dollars received by the Commonwealth except those received by the Commonwealth Transportation Fund the Unemployment Compensation Fund, and institutions of higher education.

Literary Fund Special Revenue Fund – Accounts for revenues from fines, forfeitures, and proceeds from unclaimed property used primarily to support public education in the Commonwealth. This fund provides low interest loans to school divisions for construction, renovations, and expansion of school buildings.

Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements – The financial statements of the proprietary funds, fiduciary funds, and component units are reported using the economic resources measurement focus and the full accrual basis of accounting. As with the government-wide statements, revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus since they only report assets and liabilities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and

expenses not meeting this definition are reported as nonoperating.

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, provides governments two options for reporting their enterprise funds (including component units reporting as business-type activities). All enterprise funds reported herein, with the exception of the State Lottery (Major Enterprise Fund), the Pocahontas Parkway (Nonmajor Enterprise Fund), Mental Health Local Funds (Nonmajor Enterprise Fund), the Library of Virginia (Nonmajor Enterprise Fund), the Virginia Port Authority (Nonmajor Component Unit), the A. L. Philpott Manufacturing Extension Partnership (Nonmajor Component Unit), the Virginia Equine Center (Nonmajor Component Unit), the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – Major), the Roanoke Higher Education Authority (Nonmajor Component Unit), and the Innovative Technology Authority (Nonmajor Component Unit) apply all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The State Lottery (Major Enterprise Fund), the Pocahontas Parkway (Nonmajor Enterprise Fund), Mental Health Local Funds (Nonmajor Enterprise Fund), the Library of Virginia (Nonmajor Enterprise Fund), the Virginia Port Authority (Nonmajor Component Unit), the A. L. Philpott Manufacturing Extension Partnership (Nonmajor Component Unit), the Virginia Equine Center (Nonmajor Component Unit), the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – Major), the Roanoke Higher Education Authority (Nonmajor Component Unit), and the Innovative Technology Authority (Nonmajor Component Unit) apply all of these pronouncements, and also apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Foundations' (Component Units) financial statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. The financial statements are prepared under FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. FASB rather than GASB pronouncements are followed. In some instances, activities of the Foundations (Component Units) are reported separately within the footnotes because of the different reporting standards. Also, some Foundations (Component Units) have a calendar rather than a fiscal year end. Foundations (Component Units) with a calendar year-end are included in these financial statements for the year ending December 31, 2005.

The Primary Government reports the following major enterprise funds:

State Lottery Fund – Accounts for all receipts and expenses of the State Lottery.

Virginia College Savings Plan Fund – Administers the Virginia Prepaid Education Program.

Unemployment Compensation Fund – Accounts for receipts from employers and expenses incurred to provide benefits to eligible unemployed workers.

Additionally, the Primary Government reports the following fund types:

Governmental Fund Types:

Special Revenue Funds – Account for transactions related to resources received and used for restricted or specific purposes.

Debt Service Funds – Account for transactions related to resources retained and used for the payment of interest and principal on long-term obligations.

Capital Project Funds – Account for transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental or proprietary funds. The primary resource for these funds is the proceeds of bond issues and energy performance contracts. Principal uses are for construction and improvement of State office buildings, correctional and mental health facilities, and parks.

Permanent Funds – Account for transactions of the Commonwealth Health Research Fund and the Mental Health Endowment Funds whose principal must be maintained intact and whose income is used to benefit the Commonwealth's citizens and mental health patients.

Proprietary Fund Types:

Enterprise Funds – Account for transactions related to resources received and used for financing self-supporting activities of the Primary Government that offer products and services on a user-charge basis to external users.

Internal Service Funds – Account for transactions related to the financing and sale of goods or services provided by the agencies of the Primary Government to other agencies and institutions of the Commonwealth. Activities include the provision of information technology, manufacturing activities, insurance programs, fleet services, facilities and property management, and engineering services.

Fiduciary Fund Types:

Private Purpose Trust Funds – Account for transactions of all other trust arrangements in which the principal and income benefit individuals, private organizations, or other governments. These trusts include those for escheat property, educational savings plans, and others.

Pension and Other Employee Benefit Trust Funds – Account for transactions of the Commonwealth administered retirement systems and other employment benefits.

Investment Trust Fund – Accounts for the external portion of the Local Government Investment Pool that is sponsored by the Commonwealth.

Agency Funds – Account for amounts held in trust by the Primary Government for others. Agency funds include those funds established to account for the collection of taxes and fees for distribution to localities and other states, employee benefits, deposits of insurance carriers, child support collections and other miscellaneous accounts.

E. Budgetary Process

Budgetary amounts shown in the Required Supplementary Information and Combining and Individual Fund Statements Sections represent the total of the original budgeted amounts and all supplemental appropriations. The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. Unexpended appropriations at the end of the fiscal year generally lapse. However, they may be reappropriated for expenditure in the following fiscal year. The Governor, as required by the *Code of Virginia,* submits a budget composed of all proposed expenditures for the State, and of estimated revenues and borrowing for a biennium, to the General Assembly. Budgets are adopted for the General and Special Revenue Funds, except for the Literary (major) – Special Revenue Fund. Formal budgetary integration is not employed for the Capital Projects (nonmajor), Debt Service (nonmajor), Permanent Funds (nonmajor), and the Literary – Special Revenue (major) because effective budgetary control is alternatively achieved through the General Fund and the remaining Special Revenue Funds.

The budget is prepared on a biennial basis; however, the budgets of the General and Special Revenue Funds contain separate appropriations for each year within the biennial budget, as approved by the General Assembly and signed into law by the Governor. For management control purposes, the budget is controlled at the program level. The Governor may transfer an appropriation within a State agency or from one State agency to another, provided that total fund appropriations, as contained within the budget, are not exceeded. Increases in General Fund appropriations must be approved by the General Assembly.

Appropriations for programs funded from Special Revenue Funds may allow expenditures in excess of the original appropriations to the extent that revenues of the funds exceed original budget estimates and such additional expenditures are approved by the Governor through supplemental appropriations.

F. Cash, Cash Equivalents, and Investments

Cash

In order to maximize the Commonwealth's earning potential, the majority of the Primary Government's cash balances are pooled together in the general account for investment purposes. The amounts required for operations are liquidated as needed. Since all amounts not required for operations are held in investment securities, it is possible that the cash balances could be negative due to timing differences in liquidating the investments.

As of June 30, 2006, the General Fund had a negative cash balance of $4.1 billion. In order to properly reflect the general account position, this negative cash balance has been eliminated in the accompanying statements and offset against the Primary Government's cash equivalents and investments (see Note 6).

Cash Equivalents

Cash equivalents are investments with an original maturity of 90 days or less.

Investments

Investments are principally comprised of monies held by component units, Pension and Other Employee Benefit Trust Funds, and monies held by the State Treasurer in both the general account and other fiduciary accounts.

Governmental and proprietary funds, both primary government and component units, report investments in money market and in the Commonwealth sponsored investment pools at amortized cost. All other investments are reported at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Investments administered by the Virginia Retirement System (VRS) are reported at fair value. The cost of investments sold is the average cost of the aggregate holding of the specific investment sold. Investments in affiliated organizations are accounted for on the equity method of accounting and the VRS' share of their earnings (losses) for the period is included in investment income using the equity method.
Investments of higher education institutions (Component Units) are reported at fair value, except for money market investments and

investments in the Commonwealth sponsored investment pools, which are reported at amortized cost.

Derivatives

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes (see Note 6).

G. Receivables

Receivables in the governmental funds consist primarily of the accrual of taxes, as well as Federal receivables of the Primary Government's Medicaid program. Receivables in the Proprietary Funds consist primarily of tuition contributions receivable. Receivables of Fiduciary Funds are primarily the accrual of member and employer contributions in the Pension and Other Employee Benefit Trust Funds and the accrual of local sales taxes in the Agency Funds. Receivables of the Component Units consist primarily of mortgage receivables, loans receivable, patient receivables, and student receivables. Receivables are recorded net of allowances for doubtful accounts (see Note 7).

H. Contributions Receivable, Net

Contributions Receivable reported by the foundations (Component Units) represents pledges or unconditional promises to give that have been discounted (see Note 8).

I. Internal Balances

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities (see Note 9).

J. Inventory

Inventories consist of materials and supplies and are reported as expenditures when consumed. These assets are offset by a fund balance reserve that indicates they are not available for spending. Inventories exceeding $1 million of the General and the Special Revenue Funds are maintained at cost using the first-in, first-out (FIFO) methodology, except for the following:

- Department of State Police (VSP)
- Virginia Department of Transportation (VDOT)
- Department of Health (VDH)
- Department for the Blind and Vision Impaired (DBVI)

VSP inventories are recorded in the General (major) and Other Special Revenue (nonmajor) Funds using the average cost methodology and are maintained at cost. VDOT inventories are recorded in the Commonwealth Transportation Fund (major) using the FIFO and average cost methodologies and are maintained at either cost or average cost. VDH inventories are recorded in the General (major), Health and Social Services Special Revenue (nonmajor), Other Special Revenue (nonmajor), and Federal Trust (major) Funds. These inventories are maintained at cost based on either FIFO or the average cost methodology. DBVI inventories are maintained at cost or average cost based on the FIFO methodology and are recorded in the General (major) and Health and Social Services Special Revenue (nonmajor) Funds.

Inventories maintained by Correctional Enterprises (Internal Service Fund) are stated at the lower of cost or market using FIFO. Inventories maintained by the Virginia Museum of Fine Arts (Nonmajor Enterprise Fund), the Science Museum of Virginia (Nonmajor Enterprise Fund), the Consolidated Laboratory (Nonmajor Enterprise Fund) and the Library of Virginia (Nonmajor Enterprise Fund) are stated at cost using FIFO. Inventories maintained by the Internal Service Funds except for Correctional Enterprises are stated at cost using FIFO.

The Department of Alcoholic Beverage Control (Nonmajor Enterprise Fund) and the Virginia Industries for the Blind (Nonmajor Enterprise Fund) maintains inventories at cost using the average cost methodology.

Institutions of higher education (Component Units) use several methods for inventory valuations, including cost using FIFO, the lower of cost or market using FIFO, or weighted average methods. Inventories maintained by the Virginia Equine Center Foundation (Nonmajor Component Unit) are stated at the lower of cost or market using FIFO. Inventories maintained by the Virginia Port Authority (Nonmajor Component Unit) are reported using the moving average cost methodology. The The Virginia Housing Development Authority (Major Component Unit) maintains inventories at the lower of cost or fair value.

K. Prepaid Items

Prepaid assets for rent, insurance, and similar items are recognized when purchased and expensed when used.

L. Interfund Loans Receivable/Payable

Loans Receivable/Payable represents working capital advances from one fund to another (see Note 9).

M. Other Assets

Other Assets include those balances of a miscellaneous nature that are not specifically classified elsewhere (see Note 10).

N. Capital Assets

Capital assets of governmental funds are recorded as expenditures at the time of purchase and capitalized in the governmental activities column of the Government-wide Statement of Net Assets.

Capital assets of the other funds and component units are capitalized in the fund in which they are utilized. All depreciable capital assets are depreciated on the straight-line basis over their useful lives (see Note 12).

Capital assets are stated at historical cost or, in some instances, estimated historical cost. Donated capital assets are stated at fair market value at the time of donation. The Primary Government capitalizes all equipment that has a cost or value greater than $50,000 and expected useful life of greater than two years. The Primary Government capitalizes all property, plant, and infrastructure that have a cost or value greater than $100,000 and an expected useful life of greater than two years. Selected agencies and institutions of higher education utilize a capitalization limit lower or higher than the Primary Government's established thresholds for various reasons. Accordingly, reported capital assets may include some items that cost less than those thresholds. Infrastructure, including highways, bridges, and rights-of-way, is capitalized using the historical approach and includes any assets acquired prior to fiscal year 1980.

The Primary Government's capitalization policy regarding works of art/historical treasures is that capitalization is encouraged, but not required, for works of art/historical treasures that meet the following conditions:

- The collection is held for public exhibition, education, or research in furtherance of public service, rather than financial gain;
- The collection is protected, kept unencumbered, cared for and preserved; and,
- The collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for the collection.

The Primary Government capitalizes construction-in-progress when project expenditures exceed $100,000. Interest incurred during construction is not capitalized in governmental funds. Interest incurred during the construction of proprietary fund assets is included in the capitalized value of the asset. Expenditures are classified as construction-in-progress if:

(1) they extend the asset life, improve productivity, or improve the quality of service; and

(2) they fall into the planning, acquisition, construction, improvement, renovation, repair, replacement, relocation or demolition phase of the asset life.

The estimated lives of capital assets are as follows:

	Years
Buildings	15–50
Equipment	2–20
Infrastructure	5–50

Selected institutions of higher education may utilize estimated lives and policies that differ from the above for various reasons.

O. Accounts Payable

Accounts payable represent amounts, including salaries and wages, owed for goods and services received prior to year-end. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* accounts payable also include payments for nonexchange transactions that met eligibility requirements prior to year-end (see Note 20).

P. Unearned and Deferred Revenue

Unearned revenue represents monies received or revenues accrued but not earned as of June 30, 2006. Deferred revenue represents revenues accrued but not available to finance expenditures of the current fiscal period. The majority of unearned revenue is reported by higher education institutions (Component Unit), where it is primarily composed of revenue for student tuition accrued in advance of the semester and advance payments on grants and contracts. In the General Fund (major), deferred revenue represents receivables that will be collected after August 31, 2006. In the Special Revenue Funds, unearned revenue is composed primarily of Federal grant money received but not spent. In the Enterprise Funds, a majority of unearned revenue represents on-line ticket monies received by the State Lottery (major) for which corresponding drawings have not been held and unearned revenues of Consolidated Laboratory (nonmajor). In the Internal Service Funds, it represents primarily unearned premiums for the Risk Management Fund and prepaid rent and work orders for the Property Management Fund. Additionally, in the Virginia Information Technologies Agency Internal Service Fund unearned revenue relates to the transfer and purchase of assets for transition agencies and advanced customer receipts. Unearned revenues in the other component units consist primarily of the deferral of fees related to various activities.

Q. Deferred Taxes

Deferred taxes represent the deferral of income taxes withheld or received for the period January through June 2006. This amount is the estimate to be refunded (overpayments by taxpayers) reduced by the estimate to be received (underpayments from taxpayers) that will be finalized when income tax returns are filed in subsequent years. Individual income tax estimated overpayments total $753,502,333 and estimated underpayments total $342,182,606. This results in deferred taxes of $411,319,727. Corporate income tax estimated overpayments total $34,617,424 and estimated underpayments total $58,491,612. When under-payments exceed overpayments, revenue on the fund statements is only recognized to the extent of estimated overpayments. Since underpayments exceed overpayments for corporate income taxes, the deferred tax amount is zero for the fiscal year.

R. Obligations Under Securities Lending Program

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions,* liabilities resulting from these transactions have been recorded as obligations under securities lending transactions.

S. Other Liabilities

Other liabilities represent amounts owed for various governmental and proprietary activities. Some of these amounts will be paid shortly after fiscal year-end (see Note 21).

Short-term debt results from borrowings from anticipation notes, lines of credit, and similar loans with parties external to the Primary Government. The Primary Government's policy is to disclose activity related to short-term borrowings occurring during the fiscal year. Any short-term debt balances outstanding at June 30 are reported as Other Liabilities. For fiscal year 2006, the Primary Government's agencies did not participate in short-term borrowings with external parties. Higher Education Institutions' Foundations (Component Units) have lines of credit outstanding as of year-end that amount to approximately $71.4 million. Also, the University of Virginia (Major Component Unit) reports $26.0 million of commercial paper that provides bridge financing for capital projects.

T. Claims Payable

Claims payable, reported in the proprietary funds of the primary government, represent both health and liability insurance claims payable at June 30, 2006. This includes both actual claims submitted, as well as actuarially determined claims incurred but not reported. Claims relating to the Primary Government's liability insurance programs are reported in the Risk Management – Internal Service Fund, and the Risk Management – Nonmajor Enterprise Fund. Also, health insurance claims are reported in the Health Care – Internal Service Fund and the Local Choice Health Care – Nonmajor Enterprise Fund (see Note 19.A. and 19.B.).

U. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. The governmental fund statements reflect the portion of long-term liabilities that will be paid from expendable resources. The proprietary fund statements and discrete component unit statements reflect total long-term liabilities and distinguish between those portions payable within one year and those payable in future years (see Note 22).

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Expenditures for principal and interest payments for governmental fund general obligation bonds and revenue bonds are recognized in the Debt Service Fund (nonmajor) when due. In these fund statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures (see Note 22).

V. Reserved Fund Balances

Reserved fund balances indicate that portion of fund balance that is not available to fund operations or is legally segregated for specific future use. Fund balance reservations are not specifically denoted in instances where the nature of the fund dictates the entire amount is reserved.

W. Unreserved, Designated Fund Balances

Designations of fund balance, as shown in Note 4, are established to reflect tentative plans for future utilization of current financial resources. It is the policy of the Primary Government to designate the portion of fund balance set aside by the General Assembly through the Appropriation Act to fund tentative but approved future plans. Unexpended appropriations approved by the Governor to be used to fund expenditures of the ensuing fiscal year are also reflected through a designation of fund balance. It is the policy of the Primary Government to limit such designations in the event that their accumulation and presentation would cause a negative unreserved, undesignated fund balance to occur.

X. Unreserved, Undesignated Fund Balances

The unreserved, undesignated basis of budgeting fund balance is the amount of fund balance remaining from operations of the current and prior years, net of amounts established as reserved and designated fund balance described in Notes 1.V. and 1.W. above.

Y. Cash Management Improvement Act

Included in "Due to Other Governments" is the Commonwealth's Cash Management Improvement Act (CMIA) interest liability to the Federal government, which is calculated in accordance with the interest calculation and exchange provisions of the Federal Cash Management Improvement Act of 1990. The Commonwealth's interest liability is subject to review and final confirmation by the Financial Management Service (FMS) of the U.S. Treasury. The payment is to be made on or before March 1, 2007. Payment will be made from a sum sufficient appropriation authorized for this purpose by the Appropriation Act. The CMIA interest rate of

exchange is based by law on the annualized average earnings rate of 13-week Treasury Bills.

Z. Interest, Dividends, Rents, and Other Investment Income

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investment income is reported in this line item. Since this amount includes changes in the fair value of investments, the amount reported may be negative. In addition, the amount reported also includes rent payments received on properties owned by the Commonwealth.

AA. Intrafund Eliminations

Eliminations have been incorporated into the report to eliminate intrafund transactions within the related fund type. These eliminations prevent overstatement of financial activity.

BB. Interfund Activity

Generally, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions.

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to a different fund that expends the resources.

2. RESTATEMENT OF BEGINNING BALANCES

The government-wide beginning balance restatements resulted from the following:

- Governmental Activities have been restated primarily for the correction of prior year errors regarding the understatement of capital assets. Additional restatements are due to the General fund and Nonmajor Special Revenue Funds as explained below.
- Component Units have been restated for various reasons as explained below.

The various individual fund amounts have been restated due to the following:

- The General Fund restatement is due to a prior year error related to the understatement of amounts due to other governments.
- The Nonmajor Special Revenue funds were restated due to a change in reporting classification. The previously reported Special Revenue Dedicated was combined with Special Revenue Other and from this combination, a new Special Revenue classification – Special Revenue Health and Social Services – was extracted. Additionally, the Special Revenue Health and Social Services Fund was restated due to prior year errors related to an overstatement of assets.
- The Investment Trust Fund has been restated due to a reporting change with the State Non-Arbitrage Program. Since the Commonwealth does not control the daily investment activities nor bear fiduciary responsibility for these amounts, this fund is no longer reported in the accompanying financial statements (see note 16). Additionally, LGIP was restated because the Assistive Technology Loan Fund Authority was reported as a related organization in fiscal year 2005 and as a discrete component unit in fiscal year 2006.
- The University of Virginia amount has been restated primarily due to prior year errors related to receivables. In addition, there was a prior year error in the elimination entries of intrafund activity among the University and their foundations.
- Nonmajor Higher Education Institution amounts have been restated for various reasons. The College of William and Mary has been restated primarily due to the correction of errors related to capital assets and the implementation of GASBS No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Radford University has been restated to adjust accumulated depreciation on capital assets for a change in depreciation method, to recognize prepaid expenses not previously recognized, and to correct errors related to capital assets and the foundation amounts. George Mason University has been restated due to their foundation's fifty percent interest in a perpetual trust that had not previously been recognized. The Virginia College Building Authority has been restated due to an understatement of payables.
- Nonmajor Component Units have been restated because the Assistive Technology Loan Fund Authority was reported as a related organization in fiscal year 2005 and as a discrete component unit in fiscal year 2006.
- Agency Funds have been restated due to the correction of a prior year error related to the understatement of cash and amounts due to the other funds.

Beginning Balance Restatement

(Dollars in Thousands)

	Balance as of June 30, 2005	Correction of Prior Year Errors	Change in Reporting	Balance June 30, 2005 as restated
Government-wide Activities:				
Primary Government:				
Governmental Activities	$ 13,922,984	$ 302,240	$ -	$ 14,225,224
Business-type Activities	419,276	-	-	419,276
Total Primary Government	$ 14,342,260	$ 302,240	$ -	$ 14,644,500
Component Units	$ 14,216,814	$ (9,498)	$ 21,375	$ 14,228,691
Major Governmental Funds:				
General	$ 1,229,025	$ (4,179)	$ -	$ 1,224,846
Special Revenue Funds:				
Commonwealth Transportation	1,361,744	-	-	1,361,744
Federal Trust	62,282	-	-	62,282
Literary	319,212	-	-	319,212
Nonmajor Governmental Funds:				
Special Revenue Funds:				
Health and Social Services Fund	211,361	(3,032)	(92,897)	115,432
Other Special Revenue Fund	410,043	-	92,897	502,940
Total Special Revenue	621,404	(3,032)	-	618,372
Debt Service Funds:				
Primary Government	75,520	-	-	75,520
Virginia Public Building Authority	55	-	-	55
Total Debt Service	75,575	-	-	75,575
Capital Project Funds:				
Primary Government	72,777	-	-	72,777
Virginia Public Building Authority	(33,345)	-	-	(33,345)
Total Capital Projects	39,432	-	-	39,432
Permanent Funds:				
Commonwealth Health Research Fund	28,263	-	-	28,263
Mental Health Endowment Funds	248	-	-	248
Total Permanent Funds	28,511	-	-	28,511
Total Nonmajor Governmental Funds	764,922	(3,032)	-	761,890
Total Governmental Funds	$ 3,737,185	$ (7,211)	$ -	$ 3,729,974

Beginning Balance Restatement
Fiduciary Funds

(Dollars in Thousands)

	Balance as of June 30, 2005	Change in Reporting	Balance June 30, 2005 as restated
Private Purpose Funds	$ 11,752,859	$ -	$ 11,752,859
Pension and Other Employee Benefit Trust Funds	$ 44,125,783	$ -	$ 44,125,783
Investment Trust Fund:			
Local Government Investment Pool (LGIP)	$ 2,308,999	$ (10,322)	$ 2,298,677
State Non-Arbitrage Pool (SNAP)	1,526,708	(1,526,708)	-
SNAP Individual Investment Accounts	404,072	(404,072)	-
Total Investment Trust Fund	$ 4,239,779	$ (1,941,102)	$ 2,298,677

Beginning Balance Restatement
Component Units

(Dollars in Thousands)

	Balance as of June 30, 2005	Correction of Prior Year Errors	Change in Reporting	Balance June 30, 2005 as restated
Major Component Units				
Virginia Housing Development Authority	$ 1,669,155	$ -	$ -	$ 1,669,155
Virginia Public School Authority	15,128	-	-	15,128
University of Virginia	4,864,823	(5,231)	-	4,859,592
Virginia Polytechnic Institute and State University	1,117,946	-	-	1,117,946
Virginia Commonwealth University	1,217,253	-	-	1,217,253
Nonmajor Component Units				
Virginia Economic Development Partnership	271	-	-	271
Virginia Outdoors Foundation	10,017	-	-	10,017
Virginia Port Authority	344,375	-	-	344,375
Virginia Resources Authority	974,948	-	-	974,948
Virginia Tourism Authority	2,079	-	-	2,079
Virginia Tobacco Settlement Foundation	6,971	-	-	6,971
Tobacco Indemnification and Community Revitalization Commission	473,796	-	-	473,796
Hampton Roads Sanitation District Commission	358,933	-	-	358,933
Virginia Biotechnology Research Park Authority	11,396	-	-	11,396
Virginia Small Business Financing Authority	30,684	-	-	30,684
Virginia School for the Deaf and Blind Foundation	2,733	-	-	2,733
Science Museum of Virginia Foundation	13,071	-	-	13,071
Virginia Museum of Fine Arts Foundation	190,592	-	-	190,592
A. L. Philpott Manufacturing Extension Partnership	1,171	-	-	1,171
Virginia Equine Center Foundation	2,057	-	-	2,057
Certified Nursing Facility Education Initiative	60	-	-	60
Assistive Technology Loan Fund Authority	-	-	11,972	11,972
Virginia Land Conservation Foundation	14,005	-	-	14,005
Virginia Arts Foundation	379	-	-	379
Library of Virginia Foundation	4,402	-	-	4,402
College of William and Mary	763,835	(6,877)	(762)	756,196
Virginia Military Institute	389,217	-	-	389,217
Virginia State University	94,506	-	-	94,506
Norfolk State University	60,718	-	-	60,718
University of Mary Washington	107,810	-	-	107,810
James Madison University	329,717	-	-	329,717
Radford University	157,563	2,169	10,165	169,897
Old Dominion University	341,602	-	-	341,602
George Mason University	346,014	9,801	-	355,815
Virginia Community College System	516,425	-	-	516,425
Christopher Newport University	125,943	-	-	125,943
Longwood University	153,919	-	-	153,919
Southwest Virginia Higher Education Center	9,817	-	-	9,817
Roanoke Higher Education Authority	15,384	-	-	15,384
Innovative Technology Authority	23,218	-	-	23,218
Institute for Advanced Learning and Research	4,294	-	-	4,294
Virginia College Building Authority	(549,413)	(9,360)	-	(558,773)
			-	
Total Nonmajor Component Units	5,332,509	(4,267)	21,375	5,349,617
Total Component Units	$ 14,216,814	$ (9,498)	$ 21,375	$ 14,228,691

Beginning Balance Restatement
Agency Funds

(Dollars in Thousands)

	Balance as of July 1, 2005	Correction of Prior Year Error	Balance as of July 1, 2005 as restated
Agency Funds			
Funds for the Collection of Taxes and Fees	$ 215,274	$ -	$ 215,274
Employee Benefits Fund	4,295	-	4,295
Contractor Deposits Fund	28,478	-	28,478
Deposits of Insurance Carriers Fund	409,122	-	409,122
Inmate and Ward Fund	7,238	-	7,238
Child Support Collections Fund	8,276	3,766	12,042
Mental Health Patient Trust Fund	2,368	-	2,368
Mental Health Non-patient Trust Fund	22	-	22
Comptroller's Debt Setoff Fund	821	-	821
Unclaimed Property of Other States	3,125	-	3,125
Legal Settlement Fund	1,554	-	1,554
Consumer Services Fund	756	-	756
Department of State Police Fund	1,138	-	1,138
Aviation Fund	170	-	170
Virginia School for the Deaf and Blind Fund	29	-	29
Woodrow Wilson Rehabilitation Center Fund	6	-	6
Dog and Cat Sterilization Fund	2	-	2
Commuter Rail Fund	14,010	-	14,010
Environmental Quality Fund	1,656	-	1,656
Total Agency Funds	$ 698,340	$ 3,766	$ 702,106

3. DEFICIT FUND BALANCES / NET ASSETS

The State Lottery (Major Enterprise Fund) and Department of Alcoholic Beverage Control (Nonmajor Enterprise Fund) ended the year with deficit net assets of $2.7 million and $7.6 million respectively. This was solely attributable to the net pension obligation resulting from GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. Since the Commonwealth is the employer, the agencies do not report this liability in their individually published financial statements.

The Virginia College Savings Plan (Major Enterprise Fund) ended the year with a deficit net assets balance of $26.8 million, which is attributable to the projected unfunded actuarial liability calculated by the Plan's actuary. While the Plan remains in a deficit position, there was significant improvement over the prior year deficit, which was reduced from $60.2 million to the current $26.8 million. This improvement is primarily attributable to the actual returns on the Plan's investments exceeding the assumed rate of return by a substantial margin and to increases in the actuarial reserve from new contract sales. The Board remains committed to eliminating the deficit over time and will continue to work closely with the actuary and investment consultant to enhance investment performance and add to the actuarial reserve whenever possible.

The eVA Procurement System (Nonmajor Enterprise Fund) ended the year with a deficit net assets balance of $1.04 million. This is attributable to a deficit in beginning net assets, expenses exceeding revenues and the net pension obligation resulting from GASB Statement No. 27, as previously explained.

The Library of Virginia (Nonmajor Enterprise Fund) ended the year with a deficit net assets balance of $60,000. This is attributable to start-up costs and other operating expenses exceeding revenues.

The Property Management Fund (Internal Service Fund) ended the year with a deficit net assets balance of $6.4 million. This deficit was the result of the purchase of a leasehold interest in a state-owned building.

The Risk Management Fund (Internal Service Fund) ended the year with a deficit net assets balance of $221.3 million. The deficit was the result of estimated claims payable exceeding the available equity in the fund. Claims are paid on a pay-as-you-go basis. To the extent that claims exceed current resources, they will ultimately become a liability of the fund from which the claim originated.

The Virginia Public Building Authority Capital Projects Fund (Nonmajor Governmental Fund) ended the year with a deficit fund balance of $76.7 million. The Authority issues bonds based on estimated expenditures for approved capital projects. This deficit

occurred because expenditures were incurred prior to year-end, but will not be paid until fiscal year 2007 when additional bonds are issued.

The Virginia College Building Authority (Nonmajor Component Unit) ended the year with a deficit net asset balance of $667.3 million. This deficit occurs because the Authority issues 21st Century and Equipment bonds subject to future appropriations from the General Fund of the Commonwealth without any other security.

4. GENERAL FUND ANALYSIS – BASIS OF BUDGETING

The following schedule represents reservations and designations of General Fund balance on the basis of budgeting. The designated amounts differ from those presented in the General Fund Preliminary (Unaudited) Annual Report dated August 15, 2006, due to the effects of changes in tax estimates provided by the Department of Taxation.

Reservations and Designations of Fund Balance
General Fund, Basis of Budgeting
June 30, 2006

(Dollars in Thousands)

Reserved Fund Balance:		
Revenue Stabilization Reserve Fund	$ 1,064,665	
Unexpended Lottery Proceeds	20,873	
Total Reserved Fund Balance		1,085,538
Unreserved Fund Balance:		
Designated:		
Amount Required for Reappropriation of 2006 Unexpended Balances:		
Mandatory Reappropriations	134,382	
Discretionary Reappropriations	31,304	
Capital Outlay	125,810	
Amount Required by Special Session 1, Chapter 2	1,238,243	
Virginia Water Quality Improvement Fund - Part A	14,701	
Virginia Water Quality Improvement Fund - Part B	3,478	
Natural Disaster Sum Sufficient	19,747	
Revenue Stabilization Fund Contribution	184,318	
Amount Required by Item C-319.10, Chapter 3, 2006 Acts of Assembly	2,500	
Land Preservation Tax Credits	50,000	
Total Designated Fund Balance		1,804,483
Fund Balance, June 30, 2006		$ 2,890,021

5. REVENUE STABILIZATION FUND

In accordance with Article X, Section 8 of the *Constitution of Virginia*, the amount estimated as required for deposit to the Revenue Stabilization Fund must be appropriated for that purpose by the General Assembly. Management has designated $184.3 million for deposit into the Fund during fiscal year 2008. This amount designated for deposit is allowed under the provisions of Article X, Section 8 of the *Constitution of Virginia*.

The *Constitution* requires a deposit based on growth in income and retail sales tax revenue and allows revenue growth from increases in tax rates or the repeal of exemptions to be excluded, in whole or part, from the deposit calculation for up to six years. The calculated minimum mandatory deposit (excludes all revenue increases from tax reform including those derived from estimates) is $213.4 million and the calculated maximum mandatory deposit (includes all revenue increases from tax reform) is $244.4 million. In fiscal year 2005 the mandatory Revenue Stabilization Fund calculated minimum deposit was $354 million; however, the General Assembly appropriated $402.2 million, creating a $48.2 million prepayment. In fiscal year 2006, $19.1 million was transferred from the Revenue Stabilization Fund to the General Fund once the maximum certified balance was reached. The activity in 2006 resulted in a net prepayment of $29.1 million; therefore, the fiscal year 2006 deposit designation of $184.3 million is $29.1 million lower than the calculated

minimum mandatory deposit.

Section 2.2-1829(b) of the *Code of Virginia* requires an additional deposit into the Fund when specific criteria have been met. No designation is required since the specified criteria were not met for fiscal year 2006.

The Revenue Stabilization Fund has principal and interest on deposit of $1.1 billion reserved as a part of General Fund balance which equals the maximum amount allowed for fiscal year 2006. The amount on deposit cannot exceed ten percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. The maximum amount allowed is $1.1 billion and $1.2 billion for fiscal year 2006 and fiscal year 2007, respectively.

6. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Governmental Accounting Standards Board (GASB) issued Statement No. 40, *Deposit and Investment Risk Disclosures*, which modifies previous disclosure requirements related to investment risk, and is effective for reporting periods beginning after June 15, 2004. Required investment risk disclosures address credit risk, including custodial credit risk, concentrations of credit risk, interest rate risk, and foreign currency risk. The Commonwealth implemented this new accounting standard for the fiscal year ended June 30, 2005.

At June 30, 2006, the carrying amount of cash for the primary government was $3,137,502,364 and the bank balance was $306,158,622. The carrying amount of cash for the component units was $1,127,348,397 and the bank balance was $205,968,930. Cash equivalents are investments with an original maturity of 90 days or less. Cash and cash equivalents for Foundations (Component Units) totaled $200,899,704 as of year-end. A portion of this amount and some balances during the year exceeded Federal Deposit Insurance Corporation (FDIC) insurance coverage. Foundation Investments are disclosed at Interest Rate Risk section in this note.

The deposits of the primary government and the component units, excluding Foundations (Component Units), are secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400 of the *Code of Virginia.* The Act requires any public depository that receives or holds public deposits to pledge collateral to the Treasury Board to cover public deposits in excess of Federal deposit insurance. The required collateral percentage is determined by the Treasury Board and ranges from 50 percent to 100 percent of public deposits in the case of a bank and 100 percent to 110 percent for a savings institution.

Securities pledged by banks and savings institutions, under the Act, are held by an approved escrow agent for the Treasury Board. In the event a depository bank defaults or becomes insolvent, the Treasury Board first assesses the collateral of the defaulting or insolvent institution and then assesses the collateral pledged by other public depositories on a statutory based ratio to the extent necessary to satisfy the assessment against the defaulting bank. The collateral pledged by all banks is sufficient to cover the uncollateralized public deposits of any single bank. Upon default or insolvency of a savings institution, the Treasury Board assesses the institution the amount of public funds on deposit in excess of FDIC insurance. The State Treasurer liquidates the necessary pledged collateral of the institution to reimburse public depositors to the extent of the institution's deposit liability to them. As a result, these deposits are considered insured.

Certain deposits are held by trustees in accordance with the Trust Subsidiary Act, Section 6.1–32.8 et seq. of the *Code of Virginia*. The Act requires that cash held by trustees while awaiting investment or distribution is not to be used by an affiliate bank of the trustee in the conduct of its business unless the affiliate bank delivers securities to the trust department as collateral that is at least equal to the fair value of the trust funds held on deposit in excess of amounts insured by the FDIC.

The Commonwealth is authorized, in accordance with the guidelines set forth in Section 2.2-4500 et seq. of the *Code of Virginia,* to invest in the following:

U.S. Treasury and agency securities
Corporate debt securities of domestic corporations
Asset–backed securities
Mortgage–backed securities
AAA rated obligations of foreign governments
Bankers' acceptances and bank notes
Negotiable certificates of deposit
Repurchase agreements
Money market funds

Permitted investments include agency mortgage-backed securities, reported as U.S. Treasury and agency securities, and asset-backed securities, reported as corporate notes, which by definition usually expose the investor to prepayment risk.

Prepayment risk, or the prepayment option granted the borrower, can create uncertainty concerning cash flows, can affect the price of the security causing negative convexity, and can expose the investor to reinvestment risk. Similarly, many agency and corporate securities are callable after some predetermined date at a predetermined price. The call options in regular agency debentures and some corporate securities can be open ended and may significantly impact cash flows, security pricing, and reinvestment risks of these securities.

Certain investments held in trust by the Treasurer of Virginia in accordance with bond indentures and resolutions may have more restrictive investment policies. Investment policies of institutions of higher education (Component Units) are established by the institutions' governing boards.

The Board of Trustees of the Virginia Retirement System (VRS) (Primary Government) has full power to invest and reinvest the trust funds in accordance with Section 51.1–124.30 of the *Code of Virginia,* as amended. This section requires the Board to discharge its duties solely in the interest of the beneficiaries and to invest the assets with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with

such matters would use in the conduct of an enterprise of a like character and with like aims. The Board must also diversify such investments so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so. The VRS does not have investment policies that place specific restrictions on investments related to custodial risk, interest rate risk, credit risk, or foreign currency risk. The VRS investment portfolio is intended to be managed through diversification and prudent judgment, rather than through specific policy restrictions.

The information presented for the external investment pool was obtained from audited financial statements. Copies of the Local Government Investment Pool (LGIP) report may be obtained by writing the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218. Participation in this pool is voluntary.

Custodial Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commonwealth may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Policies related to credit risk pertaining to the Commonwealth securities lending program are found in the securities lending section of this note.

As of June 30, 2006, the primary government had $512,596,051 of cash equivalents and investments that were exposed to custodial risk as uninsured and uncollateralized. The VRS had $506,206,000 of this amount that consisted of various types of debt and equity securities that were held by counterparties' trust departments or agents, but not in the VRS' name. Investments held by broker-dealers under securities loan for U.S. Government and Agency Securities represented $203,094,398 and U.S. Treasury and Agency Securities represented $191,657,000 of the total. The remainder was for various types of debt and equity securities. The component units had $33,986,222 of cash equivalents and investments that were exposed to custodial risk as uninsured and uncollateralized. Mutual and Money Market Funds represented $15,420,417 and Fixed Income and Commingled Funds represented $10,032,279 of the total and the remainder was for various types of debt and equity securities.

As of June 30, 2006, the investments of the Pension and Other Employee Benefit Trust Funds were approximately 62 percent of the primary government investments, and 99 percent of those that were exposed to custodial risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Commonwealth has elected the Segmented Time Distribution method of disclosure.

The State Treasurer guidelines restrictions limit the following maximum durations for any single security of the following investment types:

Security Type	Maximum Duration
Corporate Security	15 years
Asset-Backed Securities	5 years
Sovereign Government Obligations (excluding U.S.)	5 years
Negotiable Certificates of Deposit and Negotiable Bank Notes	5 years

The State Treasurer guidelines further describe target durations for the overall General Account portfolio of 1.6 years, with a 2.3 year maximum and a 0.4 year minimum duration.

The VRS manages the risk within the portfolio using the effective duration or option-adjusted methodology. It is widely used in the management of fixed income portfolios in that it quantifies, to a much greater degree, the risk of interest rate changes. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve.

At June 30, 2006, the Commonwealth had the following investments and maturities:

Primary Government Investments

(Dollars in Thousands)

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1-5	6-10	More Than 10
Debt Securities					
U. S. Treasury and Agency Securities	$ 3,692,785	$ 1,922,828	$ 1,389,618	$ 243,242	$ 137,097
Corporate Notes	3,579,991	1,240,980	1,902,485	271,189	165,337
Corporate Bonds	2,310,499	1,518,779	486,732	190,299	114,689
Commercial Paper	3,898,616	3,898,616	-	-	-
Negotiable Certificates of Deposit	2,435,554	2,435,550	4	-	-
Non-negotiable Certificates of Deposit	81,254	80,955	299	-	-
Repurchase Agreements	3,227,412	3,227,412	-	-	-
Municipal Securities	79,615	7,251	29,819	15,272	27,273
Asset Backed Securities	1,894,570	1,210,978	369,240	144,867	169,485
Agency Mortgage Backed	3,342,817	639,610	1,638,500	712,275	352,432
Mutual and Money Market Funds (Include SNAP)	536,524	536,443	81	-	-
The Boston Company Pooled Employee Trust Fund	1,321,106	1,321,106	-	-	-
Guaranteed Investment Contracts	192,442	-	192,442	-	-
Fixed Income and Commingled Funds	2,200,875	217,242	544,345	1,439,288	-
Deposits with the U.S. Treasury for Unemployment Compensation	720,544	720,544	-	-	-
Investments held by broker-dealers under securities loans					
U. S. Government and Agency Securities	2,367,551	45,703	1,347,716	598,637	375,495
Corporate Notes	169,578	10,369	106,465	37,327	15,417
Corporate Bonds	56,368	11,829	41,076	3,463	-
Other	877,707	189,232	371,731	206,621	110,123
Total	$ 32,985,808	$ 19,235,427	$ 8,420,553	$ 3,862,480	$ 1,467,348

Component Unit Investments

(Dollars in Thousands)

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1-5	6-10	More Than 10
Debt Securities					
U. S. Treasury and Agency Securities	$ 433,463	$ 270,024	$ 143,624	$ 3,782	$ 16,033
Corporate Notes	100,552	58,219	18,840	6,379	17,114
Corporate Bonds	16,609	3,901	6,661	1,039	5,008
Commercial Paper	629,782	629,782	-	-	-
Banker's Acceptance	670	670	-	-	-
Negotiable Certificates of Deposit	9,512	4,512	5,000	-	-
Non-negotiable Certificates of Deposit	22,572	22,412	160	-	-
Repurchase Agreements	354,967	342,558	6,881	-	5,528
Municipal Securities	3,061,998	39,867	109,911	85,484	2,826,736
Asset Backed Securities	171,927	17,082	30,922	1,163	122,760
Agency Mortgage Backed	116,041	29,833	15,677	12,858	57,673
Mutual and Money Market Funds (Include SNAP)	669,193	639,458	4,663	23,292	1,780
Guaranteed Investment Contracts	283,051	-	19,230	2,166	261,655
Fixed Income and Commingled Funds	10,032	-	10,032	-	-
Other	204,634	132,672	8,127	25,053	38,782
Total	$ 6,085,003	$ 2,190,990	$ 379,728	$ 161,216	$ 3,353,069

Foundation Investments
(Dollars in Thousands)

Investment Type	Fair Value
U.S. Treasury and Agency Securities	$ 764,006
Common & Preferred Stocks	1,889,439
Corporate Notes	23,287
Corporate Bonds	101,462
Commercial Paper	11,206
Negotiable Certificates of Deposit	6,869
Municipal Securities	205,435
Asset Backed Securities	1,584
Agency Mortgage Backed	2,243
Mutual and Money Market Funds	650,139
Bankers' Acceptance	481
Real Estate	188,026
Index Funds	107,438
Hedge Funds	1,740,428
Investment in Grantor Trust	296,228
Partnerships and Other Joint Ventures	118,838
Others	272,321
Total	$ 6,379,430

Note: Foundations represent FASB reporting entities defined in Note 1.B. A portion of these amounts are reported at cost rather than fair value because fair value was not available or readily determinable.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Treasurer of the Commonwealth places emphasis on securities of high credit quality and marketability. At the time of purchase, the following limitations are in place:

- Bankers acceptances: P-1, Moody's and A-1, S&P
- Negotiable CDs and bank notes:
  - maturities of one year or less: P-1, Moody's and A-1, S&P
  - maturities over one year: Aa, Moody's and AA, S&P
- Commercial paper: P-1, Moody's and A-1, S&P
- Corporate Notes and Bonds and Busted Convertibles: A or better by two nationally recognized rating agencies, one of whom must be Moody's or S&P. However, each external investment manager may invest up to 10% of their portfolio in any rating level of Baa/BBB rated bonds which, at a minimum, must be rated investment grade by two nationally recognized rating agencies (one of which must be either Moody's or S&P). In addition, all Baa/BBB rated securities purchased in the portfolio must be considered "investment grade" by Lehman Brothers as related to inclusion in the appropriate Lehman index. Busted convertibles must be liquidated prior to conversion to equity. Also, to avoid holding the equity-like securities, busted convertibles must be sold when they reach 105 percent of their bond value.
- Taxable Municipal Bonds: A or better by two nationally recognized rating agencies, one of whom must be Moody's or S&P
- Asset-backed securities: AAA or better by two nationally recognized rating agencies, one of whom must be Moody's or S&P
- Dollar denominated obligations of sovereign governments: Aaa, Moody's and AAA, S&P
- Commercial Mortgage-Backed Securities (CMBS), Collateralized Mortgage Obligations (CMOs), and Planned Amortization Classes (PACs): AAA or better by two nationally recognized rating agencies, one of whom must be Moody's or S&P

The following tables present the credit ratings for the majority of the investments of the primary government and component units as of June 30, 2006. The ratings presented below are using Standard & Poor's (S&P) and Moody's Investors Service (Moody's) rating scales. Within the primary government, the investments presented in the table represented 82.34 percent of the total debt securities, 11.2 percent of which were invested in obligations guaranteed by the U.S. Government. Within the component units, the investments presented in the table represented 91.08 percent of the total debt securities, 44.21 percent of which were invested in unrated Municipal Securities.

Credit risk for derivative instruments held by the Commonwealth results from counterparty risk assumed by the Commonwealth. This is essentially the risk that the borrower will be unable to meet its obligation. Information regarding the Commonwealth's credit risk related to derivatives is found in the Derivative Financial Instruments note.

Policies related to credit risk pertaining to the Commonwealth's securities lending program are found in the Securities Lending note.

Credit Rating - Primary Government
(Dollars in Thousands)

Investment	Amount	Rating Agency	Rating	Percent of Portfolio
U. S. Treasury and Agency Securities	$ 3,692,785		N/A	11.20%
Agency Mortgage Backed	2,817,828		Unrated	8.54%
Commercial Paper	2,487,410	Standard & Poor's	A-1	7.54%
Negotiable Certificates of Deposit	2,435,554		N/A	7.38%
Investments held by broker-dealers under securities loans (U.S. Government and Agency Securities)	2,360,775		Unrated	7.16%
Repurchase Agreements	1,867,139	Standard & Poor's	A-1	5.66%
Commercial Paper	1,411,206	Moody's	P-1	4.28%
The Boston Company Pooled Employee Trust Fund	1,321,106	Moody's	Aa3	4.01%
Asset Backed Securities	1,271,264	Moody's	Aaa	3.85%
Repurchase Agreements	1,175,251	Moody's	P-1	3.56%
Fixed Income and Commingled Funds	1,108,761	Moody's	A1	3.36%
Deposits with the U.S. Treasury for Unemployment Compensation	720,544		Unrated	2.18%
Corporate Notes	608,127	Standard & Poor's	A	1.84%
Corporate Notes	601,293	Standard & Poor's	AA	1.82%
Fixed Income and Commingled Funds	518,401	Moody's	Aa1	1.57%
Other Debt Securities	507,800	Moody's	Aaa	1.54%
Agency Mortgage Backed	495,276	Standard & Poor's	AAA	1.50%
Asset Backed Securities	486,959	Standard & Poor's	AAA	1.48%
Mutual and Money Market Funds (Include SNAP)	483,396	Standard & Poor's	AAA	1.47%
Corporate Bonds	459,576		Unrated	1.39%
Corporate Bonds	332,599	Moody's	Aaa	1.01%

Credit Rating - Component Unit
(Dollars in Thousands)

Investment	Amount	Rating Agency	Rating	Percent of Portfolio
Municipal Securities	$ 2,690,437		Unrated	44.21%
Commercial Paper	481,467	Moody's	P-1	7.91%
U. S. Treasury and Agency Securities	433,463		N/A	7.12%
Mutual and Money Market Funds (Include SNAP)	426,786	Standard & Poor's	AAA	7.01%
Repurchase Agreements	305,467	Moody's	P-1	5.02%
Guaranteed Investment Contracts	282,400		Unrated	4.64%
Municipal Securities	240,476	Standard & Poor's	AAA	3.95%
Mutual and Money Market Funds (Include SNAP)	219,584		Unrated	3.61%
Asset Backed Securities	149,829	Moody's	Aaa	2.46%
Other Debt Securities	87,428	Moody's	Aaa	1.44%
Other Debt Securities	80,873	Standard & Poor's	A-1	1.33%
Commercial Paper	79,997	Moody's	Aaa	1.31%
Corporate Notes	65,370	Moody's	Aaa	1.07%

Concentration of Credit Risk

Concentration of credit risk is related to the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer.

It is the State Treasurer's policy that each portfolio will be diversified with no more than 5 percent of the value of the fund invested in the securities of any single issuer. This limitation shall not apply to the U.S. Government, or Agency thereof, or U.S. Government sponsored corporation securities and fully insured and/or collateralized certificates of deposit.

The VRS investment guidelines for each specific portfolio also limit investments in any corporate entity to no more than 5 percent of the market value of the account for both the internally and externally managed portfolios. There is no concentration of investments in any one organization that represents 5 percent or more of plan net assets available for benefits.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversly impact the fair value of an investment. All investments exposed to foreign currency risk were part of the VRS portfolio at June 30, 2006.

The VRS' currency risk exposures, or exchange rate risk, primarily exists in the international and global equity investment holdings. From time to time, the VRS' external managers may hedge their portfolios' foreign currency exposures with currency forward contracts. This will depend upon their views about a specific foreign currency relative to the U.S. dollar. The VRS' exposure to foreign currency risk is highlighted in the following table.

Currency Exposures by Asset Class

(Dollars in Thousands)

Currency	Cash & Cash Equivalents	Equity	Corporate Bonds	Private Equity	Real Estate	Total
Euro Currency Unit	$ 3,855	$ 2,732,539	$ 10,693	$ 385,647	$ -	$ 3,132,734
British Pound Sterling	10,608	1,868,194	-	76,250	661	1,955,713
Japanese Yen	24,788	1,569,603	-	-	(5,930)	1,588,461
Australian Dollar	108	1,149,845	6,186	-	-	1,156,139
Canadian Dollar	1,637	814,125	396	-	-	816,158
Norwegian Krone	323	462,048	-	-	-	462,371
Swiss Franc	1,163	347,391	-	-	-	348,554
Hong Kong Dollar	1,628	311,125	-	-	439	313,192
South Korean Won	1,087	287,449	-	-	-	288,536
New Taiwan Dollar	6,455	208,772	-	-	-	215,227
Brazil Real	707	201,574	-	-	-	202,281
Indian Rupee	5,347	90,894	-	-	-	96,241
S African Comm Rand	429	95,253	-	-	-	95,682
New Turkish Lira	38	94,953	-	-	-	94,991
Singapore Dollar	570	94,395	-	-	-	94,965
Malaysian Ringgit	344	55,001	-	-	-	55,345
Danish Krone	2	38,612	-	-	-	38,614
Mexican New Peso	1,139	35,015	-	-	-	36,154
Egyptian Pound	104	28,475	-	-	-	28,579
Russian Rubel (New)	1	21,003	-	-	-	21,004
Philippines Peso	92	17,548	-	-	-	17,640
Polish Zloty	83	17,021	-	-	-	17,104
Thailand Baht	15	15,590	-	-	-	15,605
Indonesian Rupian	-	15,158	-	-	-	15,158
Israeli Shekel	1,298	12,763	-	-	-	14,061
Turkish Lira	7,189	-	-	-	-	7,189
Nigeria Naira	-	7,182	-	-	-	7,182
Slovenia Tolar	-	5,964	-	-	-	5,964
Pakistan Rupee	-	3,607	-	-	-	3,607
Colombian Peso	-	666	-	-	-	666
Peruvian Nuevo Sol	-	213	-	-	-	213
Iceland Kronur	-	187	-	-	-	187
Jordan Dinar	-	136	-	-	-	136
Morocco Dirham	-	127	-	-	-	127
Venezuela Bolivar	-	27	-	-	-	27
Argentina Peso	-	(23,310)	-	-	-	(23,310)
Chinese Yuan Renminbi	-	(27,274)	-	-	-	(27,274)
Hungarian Forint	194	(27,760)	-	-	-	(27,566)
Czech Koruna	56	(31,981)	-	-	-	(31,925)
Chilean Peso	-	(40,876)	-	-	-	(40,876)
Swedish Krona	321	(187,104)	-	22,890	-	(163,893)
New Zealand Dollar	94	(246,177)	-	-	-	(246,083)
Total	$ 69,675	$ 10,017,973	$ 17,275	$ 484,787	$ (4,830)	$ 10,584,880

Securities Lending

The State Treasury's securities lending program is managed by Dresdner Bank, AG New York Branch, under a contract dated March 31, 2006. Prior to this date, the securities lending program was managed by JPMorgan Chase Bank, N.A. The enabling legislation for the securities lending program is Section 2.2-4506 of Chapter 45 Investment of Public Funds of the *Code of Virginia*, as amended. No violations of legal or contractual provisions were noted during the year. The general account participated in a securities lending program for the entire year.

All securities lending loans are on an open-ended or one-day basis and may be terminated by Treasury with a 24-hour notice. Per the contract with Dresdner Bank, AG New York Branch, all cash reinvestment securities attributable to loans made on the Commonwealth's behalf shall be maintained by Dresdner Bank, AG New York Branch, and Treasury cannot pledge or sell such collateral absent a default.

The State Treasury's contract with Dresdner Bank, AG New York Branch provides for loss indemnification against Insolvency Default in respect of Lending Transactions and in the case of Reverse Transactions as defined in the applicable Agency Securities Lending and Repurchase Agreement. Additionally, Dresdner Bank, AG New York Branch is liable for any losses experienced from reinvestment of cash collateral in investments not authorized by the provisions of the investment guidelines for the Commonwealth of Virginia agreed upon by both parties and made a part of the Agency Securities Lending and Repurchase Agreement. There were no losses resulting from default during the reporting period, or recoveries of prior period losses during this reporting period.

When securities are loaned, the collateral received is at least 100 percent of fair value of the securities loaned and must be maintained at 100 percent or greater. There are no stated restrictions on the amount of securities that may be loaned, but the basic composition of the general account portfolio effectively caps the maximum percentage of the portfolio that may be loaned. During the past fiscal year, approximately 22 percent of the general account securities were on loan.

During the past year, a combination of U.S. Treasury, Agency, Agency mortgage and corporate securities have been loaned, with the majority of the loaned securities being U.S. Government securities. Collateral received included a combination of cash and non-cash securities, with the non-cash collateral being U.S. Government securities. At June 30, 2006 all collateral received was in the form of cash.

Securities loaned for the general account as of June 30, 2006, had a carrying value of $2,250,835,851 and a fair value of $2,251,733,036. The fair value of the collateral received was $2,285,540,951 providing for coverage of 101.5 percent. As a result, the State Treasury assumes no credit risk.

Current cash investment guidelines allow for a maximum weighted-average portfolio maturity of up to 60 days. At June 30, 2006, the cash reinvestment portfolio had a weighted average maturity of 26 days. Treasury's current cash reinvestment guidelines allow for investment in Government securities, AAA rated sovereign governments, asset backed securities, commercial paper and corporate notes, negotiable certificates of deposit, liquid master notes and promissory notes, bank notes, repurchase agreements collateralized by U.S. Treasury and Agency issues, and registered money market funds. At June 30, 2006, the majority of the cash reinvestments were in asset backed and corporate floating rate securities and tri-party repurchase agreements.

Under authorization of the Board, the VRS lends its fixed income and equity securities to various broker-dealers on a temporary basis. This program is administered through an agreement with the VRS' custodial agent bank. All security loan agreements are collateralized by cash, securities, or irrevocable letter of credit issued by major banks, and have a market value equal to at least 102 percent of the market value for domestic securities and 105 percent for international securities. Securities received as collateral cannot be pledged or sold by the VRS unless the borrower defaults. Contracts require the lending agents to indemnify the VRS if the borrowers fail to return the securities lent and related distributions, and if the collateral is inadequate to replace the securities lent. All securities loans can be terminated on demand by either the VRS or the borrowers. The majority of loans are open loans – meaning the rebate is set daily. This results in a maturity of one or two days on average, although securities are often on loan for longer periods. The maturity of loans generally does not match the maturity of collateral investments, which averages 88 days. At year-end, the VRS has no credit risk exposure to borrowers because the amounts it owes the borrowers exceed the amounts the borrowers owe it. The market value of securities on loan at June 30, 2006 was $4,335,714,000. The June 30, 2006 balance was composed of U.S. Government and agency securities of $2,366,847,000, corporate and other bonds of $225,695,000 and common and preferred stocks of $1,743,172,000.

The value of collateral (cash and non-cash) at June 30, 2006 was $4,421,712,000.

Securities on loan are included with investments on the statement of net assets. The invested cash collateral is included in the statement of net assets as an asset and corresponding liability.

As authorized by Section 2.2–4506 of the *Code of Virginia*, the Virginia Lottery, through its master custodian, JP Morgan Chase Bank, N. A., N.Y., and Dresdner Bank AG, N.Y., lends securities to various security brokers and lenders on a temporary basis for a fee. Up to 100 percent of the securities may be available for loan. Prior to or simultaneously with the Transfer of Securities to a counterparty, the Bank shall obtain collateral on the Lottery's behalf. The principal amount of cash Collateral and the Market Value (at the time of delivery by the counterparty) of Collateral in the form of Securities shall, in each case, be no less than 100 percent of the aggregate Market Value of the

Transferred Securities or the principal amount of such cash Collateral.

At June 30, 2006, the fair value of investment account securities on loan was $357,702,757 secured by $364,542,244 in cash deposits.

Derivative Financial Instruments

They include futures, forwards, options, or swap contracts. Some traditional securities, such as structured notes, can have derivative-like characteristics. In this case, the return may be linked to one or more indexes and asset-backed securities such as collateralized mortgage obligations (CMO), which are sensitive to changes in interest rates and prepayments. Futures, forwards, options, and swaps are generally not recorded on the financial statements, whereas structured notes and asset-backed investments generally are recorded.

The VRS is a party, both directly and indirectly, to various derivative financial investments that may or may not appear on the financial statements that are used in the normal course of business to enhance returns on investments and manage risk exposure to changes in value resulting from fluctuations in market conditions. These investments may involve, to varying degrees, elements of credit and market risk in excess of amounts recognized on the financial statements. Credit risk is the possibility that loss may occur from failure of a counterparty to perform according to the terms of the contract. Market risk arises from adverse changes in market prices, interest rates and foreign exchange rates that may result in a decrease in the market value of a financial investment or an increase in its funding cost, or both.

In addition to exposure from directly held derivative financial instruments, the VRS may have indirect exposure to risk through its ownership interests in commingled investment funds that use, hold, or write derivative financial instruments. Indirect exposure may also arise from stock lending programs in which the commingled funds participate. Such programs usually reinvest a portion of their cash collateral holdings in derivative instruments. The VRS' pro rata share of the contractual or notional amounts of outstanding derivative transactions in commingled investment funds and their related security lending programs approximated $237,369,000 at June 30, 2006.

The Virginia Housing Development Authority (Authority) (major) manages its interest risk on a portion of loan commitments through short sales of investment securities. These transactions meet the requirements for hedge accounting as all hedged items are specifically identified, probable of occurring, and highly correlated to the hedging instrument. The gain or loss from hedging transactions is recorded as an unamortized premium or discount and recognized as an adjustment to yield over the remaining life of the loan. The Authority periodically assesses correlation in order to determine the ongoing appropriateness of hedge accounting. During the year ended June 30, 2006, the Authority experienced a net gain of $1,243,157 from hedging transactions settled during the year. At June 30, 2006, no short sales were outstanding. The Authority's policy is to make adjustments to interest rates of loans related to such hedging transactions to reflect the losses or gains on such hedging transactions.

The University of Virginia (major) from time to time may use, through its investments and through investments in pooled funds, a variety of derivative securities including futures, options, and forward foreign currency contracts. These financial instruments are used to modify market risk exposure. Futures contracts and options on futures contracts are traded on organized exchanges and require collateral or margin in the form of cash or marketable securities. The net change in the futures contract value, if any, is settled with a cash transaction on a daily basis. Holders of futures contracts look to the exchange for performance under the contract and not the entity holding the offsetting futures position. Accordingly, the amount of risk due to non-performance of counterparties to the futures contracts is minimal. Foreign exchange contracts are used to protect the University's portfolio against fluctuations in the values of foreign currencies. The credit risk of forward currency contracts traded over-the-counter lies with the counterparty. Asset swap contracts are privately negotiated agreements between two participants to exchange the return stream derived from their assets to each other without exchanging underlying assets. The University uses asset swaps to gain exposure to certain market sectors in lieu of direct investment. The credit risk lies with the intermediary who arranges the asset swap. The University had no direct exposure to derivative instruments at June 30, 2006.

Forward, Futures, and Options Contracts

Forward contracts are contracts to purchase or sell, and futures contracts are contracts to deliver or receive financial instruments, foreign currencies or commodities at a specified future date and at a specified price or yield. Futures contracts are traded on organized exchanges (exchange-traded) and require initial margin (collateral) in the form of cash or marketable securities. The net change in the futures contract value is settled daily in cash with the exchanges. Holders of futures contracts look to the exchange for performance under the contract and not to the entity holding the offsetting futures position. Accordingly, the amount at risk posed by nonperformance of counterparties to futures contracts is minimal. In contrast, forward contracts traded over-the-counter are generally negotiated between two counterparties. They are subject to credit risks resulting from nonperformance of one of the counterparties and to market risks resulting from adverse fluctuations in market prices, interest rates, and foreign exchange rates.

Options may be either exchange-traded or negotiated directly between two counterparties over-the-counter. Options grant the holder the right, but not the obligation, to purchase or sell a financial instrument at a specified price and within a specified period of time from the 'writer' of the option. As a purchaser of options, the VRS typically pays a premium at the outset. The premium is reflected as an asset on the financial statements. The VRS then retains the right but not the obligation to exercise the option and purchase the underlying

financial instrument. Should the option not be exercised, it expires worthless and the premium is recorded as a loss. A writer of options assumes the obligation to deliver or receive the underlying financial instrument on exercise of the option. Certain option contracts may involve cash settlements based on specified indexes such as stock indexes. As a writer of options, the VRS receives a premium at the outset. The premium is reflected as a liability on the financial statements and the VRS bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

Forward, futures, and options contracts provide the VRS with the opportunity to build passive benchmark positions, manage portfolio duration in relation to various benchmarks, adjust portfolio yield curve exposure, and gain market exposure to various indexes in a more efficient way and at lower transaction costs. Credit risks depend on whether the contracts are exchange-traded or are exercised over-the-counter. Market risks arise from adverse changes in market prices, interest rates, and foreign exchange rates. At June 30, 2006, the VRS had purchased S & P, Russell Index, Treasury bonds and notes and global indices futures and options with a notional value of $5,462,482,000 and sold Treasury bonds and notes and global indices futures and options with a notional value of $638,208,000. At June 30, 2006, the VRS had pledged as collateral U.S. Treasury and U.S. Government Agency securities with a total market value of $158,222,000 as the margin requirement for futures contracts.

In addition to unsettled purchases and sales, accounts receivable and accounts payable for security transactions at June 30, 2006, included receivables for deposits with brokers for securities sold short of $1,142,069,000 and payables for securities sold short and not covered with market values of $1,152,007,000.

Foreign Exchange Contracts

Foreign exchange contracts include forward, futures, and options contracts. They involve either the exchange of specific amounts of two currencies or the delivery of a fixed amount of a currency at a future date and specified exchange rate. Forward and futures contracts settle three or more business days from the contract date. Forward contracts are negotiated over-the-counter between two counterparties, while futures contracts are exchange-traded. Foreign currency options, which are either negotiated between two counterparties or are exchange-traded, grant the buyer the right, but not the obligation, to purchase or sell at a specified price, a stated amount of an underlying currency at a future date. At June 30, 2006, the VRS had sold foreign currency contracts with a notional value of $7,157,688,000 and had purchased foreign currency contracts with a notional value of $7,160,565,000.

Foreign exchange contracts are used by the VRS to effect settlements and to protect the base currency ($US) value of portfolio assets denominated in foreign currencies against fluctuations in the exchange rates of those currencies. The credit risk of currency contracts that are exchange-traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over-the-counter lies with the counterparty, and exposure is usually equal to the unrealized profit on in-the-money contracts. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates.

Swap Agreements

Swaps are negotiated contracts between two counter parties for the exchange of payments at certain intervals over a predetermined time frame. The payments are based on a notional principal amount and calculated using either fixed or floating interest rates or total returns from certain instruments or indices. During fiscal year 2006, the VRS entered into interest rate and total return swaps with a total notional value of $1,226,074,000. Swaps are used to manage risk and enhance returns. To reduce the risk of counterparty non-performance, the VRS generally requires collateral on any material gains from these transactions.

7. RECEIVABLES

The following schedule (dollars in thousands) details the accounts, loans, taxes, and other receivables presented in the major funds, aggregated nonmajor funds by type, internal service funds, fiduciary funds, major component units, and aggregated nonmajor component units, as of June 30, 2006:

	Accounts Receivable	Loans Receivable	Interest Receivable	Taxes Receivable	Prepaid Tuition Contributions Receivable
Primary Government:					
General	$ 597,122	$ -	$ 322,672	$ 1,451,965	$ -
Major Special Revenue Funds:					
Commonwealth Transportation	169,468	40,020	-	56,489	-
Federal Trust	353,476	55	-	-	-
Literary	193,083	346,801	-	-	-
Nonmajor Governmental Funds	153,783	2	23	190	-
Major Enterprise Funds:					
State Lottery	43,895	-	-	-	-
Virginia College Savings Plan	3,877	-	3,029	-	308,817
Unemployment Compensation	117,775	-	-	-	-
Nonmajor Enterprise Funds	26,191	-	-	-	-
Internal Service Funds	13,528	-	-	-	-
Private Purpose	-	130	792	-	-
Pension and Other Employee Benefit Trust (1)	115,209	-	141,595	-	-
Investment Trust Fund	-	-	10,403	-	-
Agency Funds	251	-	-	122,761	-
Total Primary Government (2)	$ 1,787,658	$ 387,008	$ 478,514	$ 1,631,405	$ 308,817
Discrete Component Units:					
Virginia Housing Development Authority	$ -	$ 118,187	$ 2,301	$ -	$ -
Virginia Public School Authority	-	-	43,540	-	-
University of Virginia	163,595	37,170	-	-	-
Virginia Polytechnic Institute and State University	44,701	30,845	1,168	-	-
Virginia Commonwealth University	312,867	27,368	-	-	-
Nonmajor Component Units	124,572	1,957,720	33,617	6,279	-
Total Component Units	$ 645,735	$ 2,171,290	$ 80,626	$ 6,279	$ -

Note (1): Other Pension and Other Employee Benefit Trust receivables consist primarily of $80,705 (dollars in thousands) of other individual receivables arising from month-end rebalancing items.

Note (2): Fiduciary net receivables in the amount of $2,317,450 (dollars in thousands) are not included in the Government-wide Statement of Net Assets.

8. CONTRIBUTIONS RECEIVABLE, NET

The following schedule details the contributions receivable for Foundations[(1)] included with the major component units, and aggregated nonmajor component units, as of June 30, 2006:

(Dollars in Thousands)

	Due in Less Than One Year	Due Between One and Five Years	Due in More Than Five Years	Subtotal	Present Value Discount (2)	Allowance for Doubtful Accounts	Contributions Receivable, Net
Discrete Component Units:							
University of Virginia	$ 19,301	$ 66,932	$ 11,385	$ 97,618	$ (12,469)	$ (6,996)	$ 78,153
Virginia Polytechnic Institute & State University	17,289	38,678	8,011	63,978	(7,315)	(2,128)	54,535
Virginia Commonwealth University	7,907	23,183	3,262	34,352	(4,280)	(198)	29,874
Nonmajor Component Units	52,816	74,152	42,224	169,192	(20,808)	(10,704)	137,680
Total Component Units	$ 97,313	$ 202,945	$ 64,882	$ 365,140	$ (44,872)	$ (20,026)	$ 300,242

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.

Note (2): The discount rate used to determine present value ranges from 1.13 percent to 8.0 percent.

Security Transactions	Other Receivables	Allowance for Doubtful Accounts	Net Accounts Receivable	Amounts to be Collected Greater than One Year
$ -	$ -	$ (1,291,630)	$ 1,080,129	$ 17,235
-	-	(486)	265,491	46,877
-	-	(7,893)	345,638	7
-	-	(172,857)	367,027	317,559
-	-	(79,495)	74,503	862
-	-	-	43,895	-
-	-	-	315,723	237,617
-	-	(20,361)	97,414	-
-	-	(13)	26,178	-
-	-	(13)	13,515	-
-	-	-	922	-
1,842,223	84,086	-	2,183,113	-
-	-	-	10,403	-
-	-	-	123,012	-
$ 1,842,223	$ 84,086	$ (1,572,748)	$ 4,946,963	$ 620,157
$ -	$ -	$ -	$ 120,488	$ 115,031
-	-	-	43,540	43,540
-	35,735	(43,146)	193,354	65,051
-	423	(2,391)	74,746	34,528
-	23,561	(215,367)	148,429	20,668
-	65,503	(8,262)	2,179,429	1,954,677
$ -	$ 125,222	$ (269,166)	$ 2,759,986	$ 2,233,495

9. INTERFUND ASSETS/LIABILITIES

Due from/to Other Funds

Due from Other Funds are amounts to be received from one fund by another fund for goods sold or services rendered. Due to Other Funds are amounts owed by one fund to another fund for goods purchased or services obtained.

Included in the category Due from Other Funds are *"Due from Other Funds and Primary Government," "Due from Internal Parties (Governmental Funds and Business-type Activities)," "Due from External Parties (Fiduciary Funds),"* and *"Due from Component Units."* Included in the category Due to Other Funds are *"Due to Other Funds and Primary Government," "Due to Internal Parties (Governmental Funds and Business-type Activities)," "Due to External Parties (Fiduciary Funds),"* and *"Due to Component Units."* The following schedule shows the Due from/to Other Funds as of June 30, 2006.

Schedule of Due from/to Other Funds
June 30, 2006

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Primary Government		**Primary Government**	
General Fund	$ 9,391	Major Special Revenue Funds:	
		Federal Trust	$ 1,281
		Major Enterprise Funds:	
		State Lottery	931
		Nonmajor Enterprise Funds	7,015
		Internal Service Funds	164
Major Special Revenue Funds:			
Commonwealth Transportation	1,803	Internal Service Funds	1,803
Nonmajor Governmental Funds	10,857	Major Special Revenue Funds:	
		Commonwealth Transportation	7,122
		Federal Trust	3,441
		Major Enterprise Funds:	
		Unemployment Compensation	294
Major Enterprise Funds:			
Unemployment Compensation	479	General Fund	242
		Major Special Revenue Funds:	
		Commonwealth Transportation	61
		Federal Trust	91
		Nonmajor Governmental Funds	54
		Major Enterprise Funds:	
		State Lottery	8
		Nonmajor Enterprise Funds	13
		Internal Service Funds	10
Internal Service Funds	32,800	General Fund	14,474
		Major Special Revenue Funds:	
		Commonwealth Transportation	10,730
		Federal Trust	3,450
		Nonmajor Governmental Funds	3,530
		Nonmajor Enterprise Funds	503
		Internal Service Funds	113
Total Primary Government	55,330	Total Primary Government	55,330

Continued on next page

Schedule of Due from/to Other Funds
June 30, 2006
(continued)

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Component Units		**Component Units**	
University of Virginia	$ 9,360	Nonmajor Component Units	$ 9,360
Virginia Polytechnic Institute & State University	8,448	**Primary Government**	
		Nonmajor Governmental Funds	811
		Component Units	
		Nonmajor Component Units	7,637
Virginia Commonwealth University	9,171	**Primary Government**	
		Nonmajor Governmental Funds	2,069
		Component Units	
		Nonmajor Component Units	7,102
Nonmajor Component Units	24,967	**Primary Government**	
		Nonmajor Governmental Funds	7,326
		Component Units	
		Nonmajor Component Units	17,641
Total Component Units	51,946	Total Component Units/Primary Government	51,946
Total	$ 107,276	Total	$ 107,276

Schedule of Due from/to Internal/External Parties
June 30, 2006

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Primary Government		**Primary Government**	
General Fund	$ 8	Investment Trust	$ 8
Major Special Revenue Funds:			
Federal Trust	3,470	Agency	3,470
Nonmajor Governmental Funds	30	Agency	30
Pension and Other Employee Benefit Trust	15,632	Pension and Other Employee Benefit Trust	15,632
Agency	3	Nonmajor Governmental Funds	3
Total Primary Government	$ 19,143	Total Primary Government	$ 19,143

Interfund Receivables/Payables

Interfund Receivables/Payables are loans made by one fund to another.

The following schedule shows the Interfund Receivables/Payables for the Primary Government as of June 30, 2006. There were no Interfund Receivables/Payables for the Component Units as of June 30, 2006.

Interfund Receivables/Payables
June 30, 2006

(Dollars in Thousands)

Receivable From:	Amount	Payable To:	Amount
Primary Government		**Primary Government**	
Nonmajor Governmental Funds	$ 118,689	Major Special Revenue Funds:	
		Federal Trust	$ 2,224
		Major Enterprise Funds:	
		State Lottery Department	8,000
		Nonmajor Governmental Funds	48,780
		Nonmajor Enterprise Funds	46,458
		Internal Service	13,227
Total	$ 118,689	**Total**	$ 118,689

Loans Receivable/Payable Between Primary Government and Component Units

The $0.3 million in Loans Payable to Component Unit represents loans from the Science Museum Foundation (Component Unit) to Special Revenue – Other.

The Virginia Polytechnic Institute and State University (Major Component Unit) loan of $6.9 million, the Norfolk State University (Nonmajor Component Unit) loan of $1.0 million, the University of Mary Washington (Nonmajor Component Unit) loan of $0.7 million, the Virginia Community College System (Nonmajor Component Unit) loan of $0.2 million, and the Christopher Newport University loan of $0.2 million were to cover the June 30th payroll processed prior to year-end. The Virginia Commonwealth University (Major Component Unit) loan of $1.5 million and the Virginia College Building Authority (Nonmajor Component Unit) loan of $14.0 million were used to fund programs until bonds were issued. The George Mason University (Nonmajor Component Unit) loan of $8 million and the Virginia Community College System (Nonmajor Component Unit) loan of $0.4 million were used to advance fund federally-funded grant programs.

The $170.5 million in Loans Receivable from Primary Government represents loans from the VPSA to the Literary Fund. The VPSA makes grants to local school divisions to finance the purchase of educational technology equipment. The VPSA makes these grants using the proceeds of notes issued for that purpose which will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund.

10. OTHER ASSETS

The following table summarizes Other Assets as of June 30, 2006:

(Dollars in Thousands)

	Cash and Travel Advances	Unamortized Bond Issuance Expense	Other Assets	Total Other Assets
Primary Government:				
General	$ 1,156	$ -	$ -	$ 1,156
Major Special Revenue Funds:				
Commonwealth Transportation	20,720	-	-	20,720
Federal Trust	2,739	-	-	2,739
Nonmajor Governmental Funds	727	-	278	1,005
Major Enterprise Funds:				
State Lottery	1	-	-	1
Nonmajor Enterprise Funds	166	-	318	484
Internal Service Funds	1,015	-	-	1,015
Agency Funds (1)	-	-	3,060	3,060
Total Primary Government (2)	$ 26,524	$ -	$ 3,656	$ 30,180
Discrete Component Units:				
Virginia Housing Development Authority	$ -	$ -	$ 6,081	$ 6,081
University of Virginia	-	224	52,744	52,968
Virginia Polytechnic Institute and State University	-	373	4,650	5,023
Virginia Commonwealth University	376	6,408	12,308	19,092
Nonmajor Component Units	3,374	9,481	13,430	26,285
Total Component Units	$ 3,750	$ 16,486	$ 89,213	$ 109,449

Note (1): Other Assets of the Agency Funds is comprised primarily of items associated with unclaimed property reciprocal transfers with other states.

Note (2): Other Fiduciary assets in the amount of $3,060 (dollars in thousands) are not included in the Government-wide Statement of Net Assets.

11. RESTRICTED ASSETS

Restricted assets represent monies or other resources that must be used for specific legal or contractual requirements. The Virginia Housing Development Authority (Major Component Unit) reported restricted assets totaling $6.8 billion (of which $8.7 million is reported as Depreciable Capital Assets, net). The Virginia Public School Authority (Major Component Unit) reported restricted assets of $97.6 million. Both Major Component Unit's assets are restricted for debt service under a bond indenture agreement or other agreements. The Virginia Port Authority (Nonmajor Component Unit) reported restricted assets of $107.7 million. Of this amount $35.7 million is assets placed in an escrow account for construction projects, $39.7 million for debt service under a bond indenture agreement, $1.4 million for securities lending transactions, and $30.9 million reserved as part of the Port Facility Revenue Bond requirement. The Virginia Resources Authority (Nonmajor Component Unit) reported restricted assets of $504.6 million. Of this amount $499.2 million is restricted for loans to local governments, bond indentures, or federal and state regulations for various revolving funds. $5.4 million is restricted for the Operating Reserve Fund for the newly structured Virginia Pooled Financing Program. The Tobacco Indemnification and Community Revitalization Commission (Nonmajor Component Unit) reported restricted assets of $375.1 million to be used for financial aid to tobacco growers and to foster community economic growth. The Higher Education Institutions (Component Units) reported restricted assets totaling approximately $3.1 billion primarily for endowment and other contractual obligations. Included in this amount is approximately $2.4 billion of Foundations' restricted assets. The two museum foundations, the Virginia Museum of Fine Arts Foundation (Nonmajor Component Unit) and the Science Museum of Virginia Foundation (Nonmajor Component Unit) had restricted assets of $199.8 million and $11.5 million, respectively, primarily for donor-imposed restricted endowments. The remaining $16.8 million is spread among the Virginia Outdoors Foundation (Nonmajor Component Unit) Hampton Roads Sanitation District Commission (Nonmajor Component Unit), the Virginia Equine Center (Nonmajor Component Unit), the Small Business Financing Authority (Nonmajor Component Unit) and the Library of Virginia Foundation (Nonmajor Component Unit).

12. CAPITAL ASSETS

The following schedule presents the changes in the Capital Assets:

Schedule of Changes in Capital Assets

Governmental Activities

(Dollars in Thousands)

	Balance July 1, as restated	Increases	Decreases	Balance June 30
Nondepreciable Capital Assets:				
Land	$ 1,580,965	$ 224,094	$ (48,159)	$ 1,756,900
Construction in Progress	2,742,896	1,418,395	(1,289,068)	2,872,223
Total Nondepreciable Capital Assets	4,323,861	1,642,489	(1,337,227)	4,629,123
Depreciable Capital Assets:				
Buildings	2,201,538	67,963	(18,915)	2,250,586
Equipment	598,884	89,139	(30,178)	657,845
Infrastructure	17,844,274	1,328,365	(293,250)	18,879,389
Total Capital Assets being Depreciated	20,644,696	1,485,467	(342,343)	21,787,820
Less Accumulated Depreciation for:				
Buildings	784,613	57,902	(12,618)	829,897
Equipment	339,589	49,738	(24,934)	364,393
Infrastructure	8,704,389	436,996	(36,990)	9,104,395
Total Accumulated Depreciation	9,828,591	544,636	(74,542)	10,298,685
Total Depreciable Capital Assets, Net	10,816,105	940,831	(267,801)	11,489,135
Total Capital Assets, Net	$ 15,139,966	$ 2,583,320	$ (1,605,028)	$ 16,118,258

Note: Beginning balances have been restated by $309,451 (dollars in thousands) due to prior year errors, as discussed in Note 2.

Depreciation Expense Charged to Functions of the Primary Government

June 30, 2006

(Dollars in Thousands)

Governmental Activities:	
General Government	$ 9,979
Education	6,431
Transportation	455,217
Resources and Economic Development	7,804
Individual and Family Services	10,448
Administration of Justice	32,595
Capital Assets held by the Internal Service Funds are charged to various functions	22,162
Total	$ 544,636

Schedule of Changes in Capital Assets

Business-type Activities

(Dollars in Thousands)

	Balance July 1,	Increases	Decreases	Balance June 30
Nondepreciable Capital Assets:				
Land	$ 16,412	$ -	$ (14,435)	$ 1,977
Construction in Progress	5,892	361	(5,892)	361
Total Nondepreciable Capital Assets	22,304	361	(20,327)	2,338
Depreciable Capital Assets:				
Buildings	17,065	-	-	17,065
Equipment	75,649	13,735	(3,018)	86,366
Infrastructure	314,737	-	(314,736)	1
Total Capital Assets being Depreciated	407,451	13,735	(317,754)	103,432
Less Accumulated Depreciation for:				
Buildings	9,921	349	-	10,270
Equipment	50,550	8,780	(2,119)	57,211
Infrastructure	29,844	10,552	(40,395)	1
Total Accumulated Depreciation	90,315	19,681	(42,514)	67,482
Total Depreciable Capital Assets, Net	317,136	(5,946)	(275,240)	35,950
Total Capital Assets, Net	$ 339,440	$ (5,585)	$ (295,567)	$ 38,288

Schedule of Changes in Capital Assets

Component Units

(Dollars in Thousands)

	Balance July 1, as restated	Increases	Decreases	Subtotal June 30	Foundations (1)	Total June 30
Nondepreciable Capital Assets:						
Land	$ 364,179	$ 34,014	$ (16,516)	$ 381,677	$ 132,972	$ 514,649
Construction in Progress	1,092,353	878,567	(838,362)	1,132,558	90,850	1,223,408
Inexhaustible Works of Art / Historical Treasures	71,029	370	-	71,399	13,112	84,511
Livestock	761	46	-	807	2,430	3,237
Total Nondepreciable Capital Assets	1,528,322	912,997	(854,878)	1,586,441	239,364	1,825,805
Depreciable Capital Assets:						
Buildings	5,336,040	644,957	(26,890)	5,954,107	581,164	6,535,271
Infrastructure	1,526,454	121,600	(23)	1,648,031	2	1,648,033
Equipment	2,012,042	301,537	(99,411)	2,214,168	94,565	2,308,733
Improvements Other Than Buildings	301,976	26,620	(244)	328,352	34,207	362,559
Library Books	580,410	31,714	(4,118)	608,006	-	608,006
Total Capital Assets being Depreciated	9,756,922	1,126,428	(130,686)	10,752,664	709,938	11,462,602
Less Accumulated Depreciation for:						
Buildings	2,031,950	168,511	(14,198)	2,186,263	122,059	2,308,322
Infrastructure	819,042	48,122	(54)	867,110	2	867,112
Equipment	1,279,859	176,466	(88,492)	1,367,833	62,084	1,429,917
Improvements Other Than Buildings	145,319	14,188	(237)	159,270	13,850	173,120
Library Books	464,665	27,852	(4,076)	488,441	-	488,441
Total Accumulated Depreciation	4,740,835	435,139	(107,057)	5,068,917	197,995	5,266,912
Total Depreciable Capital Assets, Net	5,016,087	691,289	(23,629)	5,683,747	511,943	6,195,690
Total Capital Assets, Net	$ 6,544,409	$ 1,604,286	$ (878,507)	$ 7,270,188	$ 751,307	$ 8,021,495

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.

Beginning balances have been restated due to reclassifications and corrections of prior year errors. The following schedule is a summary of the restatement amounts.

Capital Asset Restatement - Component Units

(Dollars in Thousands)

	Balance July 1 Increase/(Decrease)
Nondepreciable Capital Assets:	
Construction in Progress	$ (12,355)
Inexhaustible Works of Art	5
Total Nondepreciable Capital Assets	(12,350)
Depreciable Capital Assets:	
Buildings	10,396
Infrastructure	156
Equipment	1,647
Library Books	3,665
Total Capital Assets being Depreciated	15,864
Less Accumulated Depreciation for:	
Buildings	(9,430)
Infrastructure	(576)
Equipment	5,200
Improvements Other Than Buildings	76
Library Books	3,665
Total Accumulated Depreciation	(1,065)
Total Depreciable Capital Assets, Net	16,929
Total Capital Assets, Net	$ 4,579

13. RETIREMENT AND PENSION SYSTEMS

A separately issued financial report that includes financial statements and required supplemental information for each of the individual plans discussed below is publicly available. Copies may be obtained by writing to Virginia Retirement System, P. O. Box 2500, Richmond, Virginia 23218-2500.

A. Plan Description

The Virginia Retirement System (VRS), a mixed agent and cost-sharing multiple-employer retirement plan, provides defined benefit pension plan coverage for Commonwealth employees, teachers, political subdivision employees, and other qualifying employees. The assets accumulated by the plan may legally be used to pay all benefits provided by the plan to any of the plan members or beneficiaries. At June 30, 2006, the VRS had 804 contributing employers. The State Police Officers' Retirement System (SPORS), the Judicial Retirement System (JRS), and the Virginia Law Officers' Retirement System (VaLORS) are single-employer defined benefit retirement plans. The SPORS provides retirement benefits to Virginia state police officers, the JRS provides retirement benefits to the Commonwealth's judiciary, and the VaLORS provides benefits to law enforcement and

correctional officers other than state police officers. All retirement systems are administered by the VRS, an independent agency of the Commonwealth.

Benefit provisions and all other requirements are established by Title 51.1 of the *Code of Virginia*. All full-time, salaried, permanent employees of the Commonwealth, with the exception of certain full–time faculty and administrative staff of higher education institutions and eligible employees of the Commonwealth's teaching hospitals who have the option not to participate in the VRS, must participate in the VRS, SPORS, JRS, or VaLORS. Benefits vest after five years of service.

Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 for participating law enforcement officers) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating law enforcement officers). Employees may retire with a reduced benefit at age 50 with at least ten years of credited service or at age 55 (age 50 for participating law enforcement officers) with at least five years of credited service.

Annual retirement benefits are payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Members of the SPORS and VaLORS may receive a monthly benefit supplement if they retire prior to age 65. Members of VaLORS hired before July 1, 2001, were allowed to make a one-time election to increase the multiplier from 1.7 percent to 2.0 percent instead of receiving the supplement. Members of VaLORS hired after June 30, 2001, have their benefit computed using the 2.0 percent multiplier and are not eligible for the supplement. Members of the JRS receive weighted years of creditable service for each year of actual service under JRS. The VRS, SPORS, VaLORS, and JRS also provide death and disability benefits. These benefit provisions and all other requirements are established by State statute.

B. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the pension and other employee benefit trust funds are prepared using the economic resources measurement focus and the accrual basis of accounting. Employee and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as earned by the pension plans. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investment

Investments are reported at fair value as determined by the VRS master custodian, Mellon Trust, from its Global Pricing System. This system assigns a price source, based on asset type and the vendor pricing products to which the master custodian subscribes, for every security held immediately following its acquisition. Prices supplied by these sources are monitored on a daily basis by the master custodian.

The pricing sources utilized by the master custodian provide daily prices for equity securities, corporate, government and mortgage-backed fixed income securities, private placement securities, futures and options on futures, open-ended funds, and foreign exchange rates. Depending on the vendor, collateralized mortgage obligations, adjustable rate mortgages, and asset-backed securities are priced either daily, weekly or twice a month, and at month end. Municipal fixed income securities and options on Treasury/Government National Mortgage Association securities are priced at month end.

When a pricing source is unable to provide a price, quotes are sought from major investment brokers and market-making dealers or internal calculations are applied if feasible. As a last resort, the master custodian will contact investment managers for a price. The master custodian prices commingled funds, partnerships, and real estate assets from statements received from the funds, partnerships, or investment managers.

The retirement plans have no concentrations of investments in any one organization that represent 5 percent or more of plan net assets available for benefits.

C. Funding Policy

Employer and employee contributions are required by Title 51.1 of the *Code of Virginia.* The Commonwealth pays the 5 percent of employees' annual salaries that employees are required to contribute to the retirement system.

The annual required contributions for the current year were determined during the actuarial valuations conducted as of June 30, 2003. Employer contributions by the Commonwealth to VRS, SPORS, VaLORS, and JRS were 3.91 percent, 16.49 percent, 16.99 percent, and 30.55 percent, respectively, of covered payrolls.

D. Annual Pension Cost and Net Pension Obligation

The following table (dollars in thousands) shows the Commonwealth's annual pension cost and net pension obligation to the VRS, SPORS, JRS, and VaLORS for the current and prior years.

	VRS			SPORS		
	2006	2005	2004	2006	2005	2004
Annual required contribution	$ 166,975	$ 156,313	$ 156,192	$ 27,939	$ 25,891	$ 23,031
Interest on net pension obligation	46,853	43,427	39,209	5,259	4,326	3,266
Adjustment to annual required contribution	(42,825)	(39,694)	(34,269)	(4,807)	(3,945)	(2,854)
Annual pension cost	171,003	160,046	161,132	28,391	26,272	23,443
Contributions made	(124,789)	(117,225)	(108,412)	(15,258)	(14,475)	(10,328)
Increase in net pension obligation	46,214	42,821	52,720	13,133	11,797	13,115
Net pension obligation, beginning of year	585,661	542,840	490,120	65,738	53,941	40,826
Net pension obligation, end of year	$ 631,875	$ 585,661	$ 542,840	$ 78,871	$ 65,738	$ 53,941
Percentage of annual pension cost contributed	73.0%	73.2%	67.3%	53.7%	55.1%	44.1%

	JRS			VaLORS		
	2006	2005	2004	2006	2005	2004
Annual required contribution	$ 27,048	$ 24,943	$ 23,114	$ 90,011	$ 84,353	$ 79,569
Interest on net pension obligation	3,476	2,683	2,029	13,782	10,997	7,801
Adjustment to annual required contribution	(3,177)	(2,452)	(1,773)	(12,597)	(10,052)	(6,818)
Annual pension cost	27,347	25,174	23,370	91,196	85,298	80,552
Contributions made	(16,206)	(15,269)	(15,190)	(52,610)	(50,495)	(40,596)
Increase in net pension obligation	11,141	9,905	8,180	38,586	34,803	39,956
Net pension obligation, beginning of year	43,444	33,539	25,359	172,270	137,467	97,511
Net pension obligation, end of year	$ 54,585	$ 43,444	$ 33,539	$ 210,856	$ 172,270	$ 137,467
Percentage of annual pension cost contributed	59.3%	60.7%	65.0%	57.7%	59.2%	50.4%

The VRS pension liability for the Virginia Economic Development Partnership (VEDP) (Component Unit), the Virginia Tourism Authority (VTA) (Component Unit), and the Virginia Outdoors Foundation (VOF) (Component Unit) are reported in the financial statements. However, since the Commonwealth is not considered the employer for VEDP, VTA, or VOF, the Commonwealth's net pension obligation shown above at the end of the year does not include VEDP's pension liability of $1.5 million, VTA's pension liability of $381,903, or VOF's pension liability of $6,994.

The most recent actuarial valuations were conducted as of June 30, 2005. The valuations were prepared using the entry age normal cost method. The actuarial assumptions included (a) 7.50 percent investment rate of return, per year compounded annually; (b) projected salary increases ranging from 3.75 percent to 5.60 percent, including a 2.50 percent inflation component; and (c) 2.50 percent per year COLA. Valuation techniques were applied to smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining closed amortization period at June 30, 2006, was 21 years or less.

E. Defined Contribution Plan for Political Appointees

Officers appointed by the Governor, officers elected by popular vote or the General Assembly, and executive branch chief deputies and confidential assistants may participate in the Deferred Contribution Plan for Political Appointees, rather than the VRS. This optional retirement plan is authorized by the *Code of Virginia* and offered through the Great West Company. This is a defined contribution plan where the retirement benefits are

based upon the Commonwealth's (3.91 percent) and the employee's (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2006, the total contributions to this plan were $781,769.

The summary of significant accounting policies for the plan is in accordance with those discussed in Section B.

F. Defined Contribution Plan for Public School Superintendents

The Public School Superintendent Plan is a defined contribution pension plan that provides optional postemployment benefits for school superintendents. This plan is authorized by the *Code of Virginia*. The Board of Trustees of the VRS manages the investments of the Fund as custodian. School Boards may elect to offer this plan as an option to the standard VRS plan that is available for School Board members. Contributions are provided by the School Board for credit to the member. At June 30, 2006, there was one participant in this plan.

G. Virginia Supplemental Retirement Plan

The Virginia Supplemental Retirement Plan is a defined contribution pension plan established by the Department of Education to provide an optional postemployment benefit plan for turnaround specialists in the public school system. This plan is utilized as an incentive to attract highly skilled teachers for participating public schools pursuant to the *Code of Virginia* by Title 51.1-617. The Board of Trustees of the VRS manages the investments of the Fund as custodian. School Boards may elect to offer this plan as an option to the standard VRS plan that is available for School Board members. Contributions are provided by the School Boards for credit to the members. At June 30, 2006, there were three participants in this plan.

H. Higher Education Fund (Component Unit)

The Commonwealth's colleges and universities participate in the VRS, a mixed agent and cost-sharing multiple-employer retirement plan. The VRS issues a separate stand-alone report that is publicly available as previously discussed.

In addition, full-time faculty and certain administrative staff of the Commonwealth's colleges and universities may participate in an optional retirement annuity program, rather than the VRS. Optional Retirement Plans are authorized by the *Code of Virginia* and provide retirement and death benefits. The optional retirement annuity programs are offered through Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) Insurance Companies, Variable Annuity Life Insurance Company (VALIC), Fidelity Investments, Inc., Great West Life, Inc., T. Rowe Price, Inc., and Vanguard. Overall, these are defined contribution programs where the retirement benefits received are based upon the Commonwealth's (5.4 percent) and employees' (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2006, the total contributions to these plans were:

TIAA-CREF	$	81,412,022
VALIC		2,450,996
Fidelity Investments		35,846,604
Great West Life		82,825
T. Rowe Price		174
Vanguard		2,070,577
Total	$	121,863,198

The Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – Major) contributes to the VRS. The VRS issues a separate stand-alone report that is publicly available as previously discussed. Effective July 1, 1997, the Authority established the Virginia Commonwealth University Health System Authority Defined Contribution Plan (the Plan). All employees, excluding house staff, working at least 20 hours per week in a benefit eligible position are eligible to participate in the Plan. Per the Plan document as approved by the Authority's Board of Directors, the Authority contributes up to 10.0 percent of the participant's salary to the Plan not to exceed the lesser of (a) the amount in accordance with Internal Revenue Code 415(d), or (b) 100 percent of the participant's compensation for such limitation year. Total contributions for the year ended June 30, 2006, were approximately $10,062,000. The Authority has the right at anytime, and without the consent of any party, to terminate the Plan in its entirety. The Authority's Board of Directors must approve any changes to the provisions of the Plan, including the contribution requirements, in writing. The Authority has also established the Virginia Commonwealth University Health System Authority Health Care Providers Defined Contribution Plan (the HCP Plan). All persons hired as a health care provider on or after July 1, 1993, and prior to July 1, 1997, and working at least 35 hours of service per week were eligible to participate in the HCP Plan. At June 30, 2006, there were six actively employed participants in the HCP Plan. Total contributions to the HCP Plan for the year ended June 30, 2006, were approximately $29,900.

Previously, the Medical College of Virginia Associated Physicians (MCVAP) (a Component Unit of the Authority) sponsored the MCVAP 403(b) Retirement Fund (the 403(b) Plan), a defined contribution plan which covered substantially all non-medical employees of MCVAP. As of January 1, 2002, no additional contributions were made to this Plan.

MCVAP also sponsors the MCVAP 401(a) Retirement Plan (the 401(a) Plan), a noncontributory, defined contribution plan which covers substantially all benefit eligible clinical

providers of MCVAP. Contributions to the 401(a) Plan, as determined annually at the discretion of the Board of Directors were approximately $6,211,000 for the year ended June 30, 2006.

MCVAP also sponsors the VCUHS 401(a) Retirement Plan a defined contribution plan which covers all non-medical employees of MCVP and the VCUHS 457(b) Retirement Plan, a salary reduction plan that represents employee contributions. These plans became effective on January 1, 2002, and replaced the MCVAP 403 (b) plan for all non-medical staff. The contributions to the VCUHS 401(a) for the period ended June 30, 2006, were approximately $2,212,000.

VA Premier (a Component Unit of the Authority) adopted a 401(k) plan sponsored by Prudential Mutual Fund Management, Inc. Employees may enter into the plan on the first day of the month coinciding with or following the date on which the employee begins employment. There is no minimum service or age requirement to be in the 401(k) plan. Employees may contribute 1 percent to 15 percent of their compensation. VA Premier will match 50 percent of the employees' contributions up to 4 percent of the employees' compensation. Matching will occur based on the bi-weekly pay periods. In addition, VA Premier contributes 3 percent of the employee's compensation after each bi-weekly payroll effective when the employee begins employment. Employees are fully vested after four years of service in which the employees have at least 1,000 hours of service each year. The total expense to VA Premier in fiscal year 2006 was approximately $430,000.

Effective January 1, 1997, James Madison University (nonmajor) established a Supplemental Retirement Plan for tenured faculty members. The plan was designed to provide flexibility in the allocation of faculty positions. The plan is a qualified plan within the meaning of section 401(c) of the Internal Revenue Code of 1986 (the Code) and is a governmental plan within the meaning of section 414(d) of the Code. Since it is a governmental plan, the plan is not subject to the Employee Retirement Income Security Act of 1974 as amended. Since inception, 117 faculty members have elected to enroll in the plan. As of June 30, 2006, 39 participants remain, including five new participants who retired under this plan during fiscal year 2006. In order to satisfy IRS requirements, a trust fund has been established as means to make the payments to the plan participants. The University prepaid the entire fiscal year 2007-plan contribution of $831,143 in 2006.

The Innovative Technology Authority (nonmajor) has a defined contribution retirement plan covering substantially all employees. Under the plan, contributions are fixed at a percentage of each employee's compensation to pay premiums for individual retirement annuity contracts written by TIAA-CREF. Pension contributions for the plan totaled $397,589 in fiscal year 2006.

I. Other Component Units

Note 1.B. outlines the component units included in the Commonwealth's reporting entity. The Virginia Historic Preservation Foundation (Blended - Primary Government), the Virginia Public Building Authority (Blended - Primary Government), the Virginia Public School Authority (major), the Virginia College Building Authority (nonmajor), the Virginia State Parks Foundation (Blended - Primary Government), and the Virginia Schools for the Deaf and Blind Foundation (nonmajor) have no employees. The Virginia Economic Development Partnership, the Small Business Financing Authority, the Hampton Roads Sanitation District Commission, the Virginia Biotechnology Research Park Authority, the A. L. Philpott Manufacturing Extension Partnership, the Virginia Tourism Authority, the Tobacco Indemnification and Community Revitalization Commission, the Virginia Tobacco Settlement Foundation, the Virginia Land Conservation Foundation, the Virginia Arts Foundation, and the Library of Virginia Foundation (all nonmajor) contribute solely to the VRS, a mixed agent and cost-sharing multiple-employer retirement plan. The VRS issues a separate stand-alone report that is publicly available as previously discussed.

Full-time employees of the Virginia Housing Development Authority (major) participate in a defined contribution employees' retirement savings plan administered by the Authority. This is a noncontributory plan where the Authority incurs employment retirement savings expense equal to 8.0 percent of full-time employees' compensation. Total retirement savings expense under this plan was $1,539,534 in fiscal year 2006.

The Virginia Outdoors Foundation (nonmajor) contributes to the VRS. The Foundation also maintains a simple defined contribution plan and provides an employer contribution to all eligible employees of 2 percent of their salary. Employees can contribute to the plan up to the IRS limit, but the Foundation offers no matching.

The Virginia Port Authority (nonmajor) contributes to the VRS. The Authority also sponsors two single-employer noncontributory defined benefit pension plans. The Virginia Port Authority Pension Plans are administered by the Authority and provide retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions and obligations are established and may be amended by the Board of Commissioners of the Authority. The plan was restated October 1, 2001, to ensure compliance with additional regulations.

The components of annual pension cost and prepaid pension obligation for the first single-employer noncontributory defined benefit pension plan are as follows:

Trend Information

	2006	2005	2004
Service cost - benefits earned during the year	$ 1,801,800	$ 1,642,100	$ 1,156,600
Interest cost on projected benefit obligation	2,903,200	2,653,000	2,260,700
Expected return on assets	(3,213,200)	(2,972,100)	(2,675,000)
Net amortization and deferral	709,500	643,600	151,300
Annual pension cost	2,201,300	1,966,600	893,600
Contributions made	(4,216,500)	(1,104,900)	(1,299,000)
Increase in prepaid pension obligation	(2,015,200)	861,700	(405,400)
Prepaid pension obligation, beginning of year	(7,306,100)	(8,167,800)	(7,762,400)
Prepaid pension obligation, end of year	$ (9,321,300)	$ (7,306,100)	$ (8,167,800)

The annual pension cost for the current year was determined as part of the October 1, 2005, actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities. The discount rate used in determining the actuarial present value of projected benefit obligation was 6.75 percent in fiscal year 2006, 6.75 percent in fiscal year 2005, and 7.50 percent in fiscal year 2004. The expected long-term rate of return on assets used in determining net periodic pension cost was 8.00 percent.

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2006, 2005, and 2004.

Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
2006	$ 2,201,300	192 %	$ (9,321,300)
2005	$ 1,966,600	56 %	$ (7,306,100)
2004	$ 893,600	145 %	$ (8,167,800)

In November 2001, the second plan was amended to provide benefits to sworn police officers that more closely resemble the new retirement benefits provided to members of the Virginia Law Enforcement Officers Retirement System. The effect of those changes is included in the accompanying pension data.

The components of annual pension cost and prepaid pension obligation for the second single-employer noncontributory defined benefit pension plan are as follows:

Trend Information

	2006	2005	2004
Service cost - benefits earned during the year	$ 514,545	$ 329,902	$ 348,524
Interest cost on projected benefit obligation	223,047	157,419	138,803
Expected return on assets	(165,669)	(107,220)	(167,011)
Net amortization and deferral	191,195	83,198	183,283
Annual pension cost	763,118	463,299	503,599
Contributions made	(896,505)	(506,915)	(149,822)
Additional minimum liability	(126,285)	945,384	(435,518)
Increase in pension obligation	(259,672)	901,768	(81,741)
Pension obligation, beginning of year	1,403,785	502,017	583,758
Pension obligation, end of year	$ 1,144,113	$ 1,403,785	$ 502,017

The annual pension cost for the current year was determined as part of the August 2006 actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities. Actual value of assets was determined using market value. The discount rate used in determining the actuarial present value of the projected benefit obligation was 6.25 percent in 2006, 5.25 percent in 2005, and 6.25 percent in 2004. The expected long-term rate of return on assets used in determining net periodic pension cost was 8.00 percent.

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2006, 2005, and 2004.

Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
2006	$ 763,118	117 %	$ 1,144,113
2005	$ 463,299	109 %	$ 1,403,785
2004	$ 503,599	30 %	$ 502,017

The Authority also sponsors two noncontributory supplemental plans covering certain key employees. The plans had assets of $2,199,929 and an accrued liability of $3,800,744. Contributions to the plans were $427,000 for the year ended June 30, 2006.

As of January 1, 2005, the Virginia Resources Authority began mandatory participation for all new employees and optional participation for then-current employees who chose to enroll in the VRS. The Authority continues to sponsor a retirement savings plan for the employees noted above who elected to defer participation in the VRS, whereby 12 percent of eligible employees' salary is contributed on an annual basis. For the year ended June 30, 2006, VRS retirement expense was $59,100 and total retirement savings expense was $77,203, a portion of which is reimbursed.

The Virginia Equine Center Foundation has a defined contribution plan which covers all full-time employees of the Foundation who have one year of service and are age 21 or older. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974. Contributions to the plan are discretionary and the Foundation will determine the amount to contribute to the plan each year. No contributions were made on behalf of the employees for the fiscal year ended June 30, 2006.

The Assistive Technology Loan Fund Authority sponsors a Simple Employee Plan (SEP) for all of its employees. The Authority contributes 5 percent of each employee's wages, which is paid into their account managed by American Funds each pay period.

Employees of the Virginia Museum of Fine Arts Foundation who are age 21 or older are eligible to participate in the Employee's Savings Plan (the Plan) a 401(k) defined contribution profit sharing plan. Under the Plan, the Foundation may make a discretionary contribution. For the plan years ended June 30, 2006 and 2005, the Foundation contributed 7 percent of employees' gross income to the Plan. In addition, contributions made by an employee up to 4 percent of the employee's gross income are matched 50 percent by the Foundation. Employees may contribute up to 100 percent of gross income each year as long as it is within the IRS limitation. Contributions paid to the Plan by the Foundation on behalf of its employees were $64,874 and $66,950 for the fiscal years ended June 30, 2006 and 2005, respectively.

14. OTHER EMPLOYMENT BENEFITS

In addition to the pension plans, the Commonwealth participates in three other employment benefit plans, Group Life Insurance, Retiree Health Insurance Credit, and Virginia Sickness and Disability Program, which are administered by the Virginia Retirement System (VRS). The VRS administers a fourth other employment benefit plan, the Volunteer Firefighters' and Rescue Squad Workers' Fund, in which the Commonwealth does not participate, but may provide funding. The significant accounting policies for all four plans are the same as those described in Note 13 for pension plans. A separately issued financial report that includes financial statements for Group Life Insurance, Retiree Health Insurance Credit, and Virginia Sickness and Disability Program is publicly available. Copies may be obtained by writing to Virginia Retirement System, P. O. Box 2500, Richmond, Virginia 23218-2500.

Group Life Insurance

The Group Life Insurance Plan provides life insurance benefits for Commonwealth employees, teachers, employees of political subdivisions participating in the VRS, State police officers, judges, and other qualifying employees. In fiscal year 2006 there were approximately 348,419 Commonwealth employees and 117,409 retirees in the program.

As part of this plan, the Commonwealth provides life insurance benefits for retired employees in accordance with Title 51.1 of the *Code of Virginia*. To be eligible, the employee must have retired or terminated employment after age 50 and have had at least ten years of service (including five years of continuous service) or at age 55 and have had five years of continuous service (age 50 for participating law enforcement officers, firefighters of political subdivisions, and judges) or retired because of disability. At retirement or termination, natural death coverage starts to reduce by 25 percent each year until coverage reaches 25 percent of its value at retirement or termination.

Postemployment life insurance benefits are advance funded on an actuarially determined basis using the aggregate cost actuarial method. Rates were determined in a June 30, 2003, actuarial valuation using

the same actuarial assumptions used for determining pension plan contribution rates. The modified market value of plan assets was used for valuation purposes. Retirees are not required to contribute to the group life plan. The Commonwealth's actuarially required contribution rate for the current year was 1.14 percent of payroll. This contribution covers premiums for active employees and actual death claims for retirees.

The accrued liabilities for postemployment death benefits actuarially determined through an actuarial valuation performed as of June 30, 2005, were $1,672.4 million. The actuarial value of the program's assets available for benefits on that date was $746.3 million, leaving a present value of future contributions of $926.1 million.

Retiree Health Insurance Credit

The Retiree Health Insurance Credit Plan provides health insurance credits against the monthly health insurance premiums for retired Commonwealth employees, State police officers, and judges with at least 15 years of creditable service on the current disbursement basis. Benefit provisions and eligibility requirements are established by Title 51.1-1400 of the *Code of Virginia*. Approximately 72,387 Commonwealth retirees were receiving health insurance credits at June 30, 2006.

The monthly credit amounts to $4.00 per year of service not to exceed a maximum allowance of $120.00. The contribution rate was determined as part of the June 30, 2003, actuarial valuation that determined the pension plan contribution rates. The Commonwealth's actuarially required contribution rate for "full funding" and "pay-as-you-go" would have been 1.79 and 1.19 percent of payroll, respectively, for the current year; however, contributions were paid at 1.04 percent of payroll. The Commonwealth recognized Retiree Health Insurance Credit expenses of $72.5 million during the fiscal year ended June 30, 2006.

Virginia Sickness and Disability Program

The Virginia Retirement System (VRS) administers the Virginia Sickness and Disability Program (VSDP) to provide income protection for absences due to sickness or disability from the first day on the job. After a seven calendar-day waiting period following the first incident of disability, eligible employees receive short-term disability benefits ranging from 60 to 100 percent of compensation up to a maximum of 125 work days, based upon months of Commonwealth service. After a 180 calendar-day waiting period (125 work days of short-term disability), eligible employees receive long-term disability benefits equal to 60 percent of compensation until they return to work, until age 65 (age 60 for State police officers), or until death.

The VSDP was established on January 1, 1999, for all full-time, classified Commonwealth employees, including State police officers and other State law enforcement and corrections officers, hired on or after January 1, 1999. Part-time, classified employees who work at least 20 hours a week on a salaried basis and who accrue leave are also covered. Eligible Commonwealth employees and State police officers of the Commonwealth employed prior to January 1, 1999, had the option to elect to participate in the VSDP or to remain in the Commonwealth's existing disability retirement and sick leave program (see Notes 13 and 18). Eligible employees enrolled in the VSDP are not eligible for disability retirement benefits under VRS, the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers Retirement System (VaLORS).

Faculty of Virginia institutions of higher education hired or appointed on or after January 1, 1999, who elected the VRS as their retirement plan, must make an irrevocable election to participate in the VSDP or in the institution's disability program. If there is no institution program, the faculty is covered under this program.

All Commonwealth agencies are required to contribute to the cost of providing long-term disability benefits. Initial contribution requirements to fund the program were determined by the VRS actuary based on an estimate of the amount of the liability for disability benefits that would transfer from the VRS and SPORS to the VSDP for the anticipated new participants in the VSDP. This contribution requirement was 1.65 percent of payroll for Commonwealth employees, State police officers and VaLORS employees during the fiscal year. The Commonwealth recognized long-term disability expenses of $27.3 million during the fiscal year. As of June 30, 2006, there were approximately 70,026 participants.

Volunteer Firefighters' and Rescue Squad Workers' Fund

Volunteer firefighters and rescue squad workers may participate in an optional postemployment benefit plan. This optional plan is authorized by the *Code of Virginia*. The Board of Trustees of the VRS manages the investments of the Fund as custodian. Members of the plan contribute $30 per quarter. The Commonwealth will contribute an amount determined by the Board and appropriated by the General Assembly, if such funds are appropriated, for a period not to exceed twenty years. For fiscal year 2006, $78,000 was appropriated. At June 30, 2006, there were 1,196 workers participating in the Fund.

15. DEFERRED COMPENSATION PLANS

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Virginia Retirement System (VRS) administers the deferred compensation plan, pursuant to the Government Employees Deferred Compensation Plan Act, Section 51.1, Chapter 6 et seq. of the *Code of Virginia*. The VRS contracts with private corporations or institutions subject to the standards set forth in the *Code* to provide investment products as well as any other goods and services related to the administration of the deferred compensation plan. The Department of Accounts is responsible for the accounting, reconciliation, and record keeping associated with State employees' enrollment, payment to the plan through payroll deductions, and timely transfer of withheld funds to the trustee designated by the VRS for investment. The plan provides a number of investment options and is designed so that each

participant retains investment control of his/her individual account. The plan, available to all State employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of plan participants and their beneficiaries and is not available to employees until termination, retirement, death, or unforeseeable emergency. Since the VRS has no fiduciary relationship with plan participants, plan assets of $864.3 million are not included in the financial statements.

In addition, the Commonwealth provides a cash match under Internal Revenue Code Section 401(a) for employees participating in the deferred compensation plan who have been employed at least one year. The match amount for an employee was established at 50 percent of the voluntary contributions to the deferred compensation plan. During the current fiscal year, the maximum match was $20 per pay period or $40 per month. The fair value of assets in the cash match savings plan at June 30, 2006, was $102.4 million, which is also excluded from the financial statements.

The Virginia Housing Development Authority (Major Component Unit) and the Virginia Resources Authority (Nonmajor Component Unit) have a deferred compensation plan available to all employees created in accordance with Internal Revenue Section 457. The Plan permits participants to defer a portion of their salary or wage until future years. The deferred compensation is not available to employees until termination, retirement, or death. The assets of the Plan are in an irrevocable trust with an external trustee and, accordingly, no assets or liabilities are reflected in the financial statements.

The Virginia Port Authority (VPA) (Nonmajor Component Unit) offers three deferred compensation plans and two matching savings plans under Internal Revenue Code Sections 457 and 401(a), respectively. Employees who maintain status under VRS are covered under the Deferred Compensation Plan administered by the VRS as discussed above. The VPA deferred compensation plan covers all employees hired after July 1, 1997, and those employees electing coverage under the Authority's deferred compensation plan. The VPA also offers a matching savings plan that covers substantially all employees. The matching savings plan requires the VPA to match contributions in an amount equal to 50 percent of the first 6 percent of the participant's base pay contributed to the plan. VPA's total contribution to the matching savings plan was $135,170 for the fiscal year ended June 30, 2006. Further, the right to modify, alter, amend, or terminate the deferred compensation plan and matching savings plan rests with the VPA Board of Commissioners.

The third deferred compensation plan and second matching savings plan covers substantially all nonunion employees with 90 days or more of service. The matching savings plan requires the VPA to match employee contributions in an amount equal to 50 percent of the first 3 percent of the participant's base pay contributed to the deferred compensation plan. VPA's total contribution to the matching savings plan was $300,442 for the fiscal year ended June 30, 2006.

The Hampton Road Sanitation District's (the District) Commission adopted a post-retirement health benefit for qualifying employees beginning after July 1, 2002. The program furnishes health and dental benefits for life for all employees with at least 15 years of service and who also qualify for an unreduced retirement benefit through the Virginia Retirement System. The program allows the retiree at their expense to cover their spouse and dependent under the District's health care provider. The District began funding the estimated prior service cost in a separate trust established for this purpose from the sale of land and additional designated revenue. For the year ended June 30, 2006, the estimated ongoing annual required contribution is approximately $750,000, and is funded through operations. The fair market value of the Trust as of June 30, 2006, was $9,209,000. The estimated unfunded actuarial accrued liability at June 30, 2005, the date of the most recent evaluation, was $14,716,000.

16. STATE NON-ARBITRAGE POOL

The Commonwealth sponsors the Virginia State Non-Arbitrage Program (SNAP) for use by the Commonwealth and local governments to invest bond proceeds. The Commonwealth's responsibility is limited to hiring service providers to manage SNAP. The investment manager and the custodian have the fiduciary responsibility for SNAP.

The SNAP Fund, a money market mutual fund registered with the Securities and Exchange Commission, is a series of the Commonwealth Cash Reserve Fund, Inc., a diversified, open-end management investment company (Corporation). Shares of the SNAP Fund are solely available to investors participating in the SNAP program. The Corporation's Board of Directors has overall responsibility for supervising the SNAP Fund's business and affairs, including the oversight of organizations providing investment advisory, administration, and distribution services to the SNAP Fund. PFM Asset Management LLC serves as the investment adviser of the SNAP Fund. The SNAP individual investment portfolios are the responsibility of the SNAP investment manager and the governments investing proceeds in the portfolios. These investments are held solely in the SNAP participants' names. Since the Commonwealth has no fiduciary relationship with local governmental entities participating in the plan, these assets of $2.1 billion are not included in the financial statements (see Note 2).

17. COMMITMENTS

A. Construction Projects

Highway Projects

At June 30, 2006, the Department of Transportation (Primary Government) had contractual commitments of approximately $1.4 billion for construction of various highway projects. Funding for these expenditures is expected to be provided as follows: (1) Federal Funds – approximately 32.4 percent or $464.8 million, (2) State Funds –

approximately 64.4 percent or $924.1 million, and (3) Proceeds from Bonds – approximately 3.2 percent or $45.6 million.

Mass Transit Projects

At June 30, 2006, the Department of Rail and Public Transportation (Primary Government) had contractual commitments of approximately $174.7 million for various public transportation and rail preservation projects. Funding of the future expenditures is expected to be as follows: (1) State Funds – approximately 76 percent or $133.0 million, and (2) Federal Funds – approximately 24 percent or $41.7 million.

Port Projects

At June 30, 2006, the Virginia Port Authority (Nonmajor Component Unit) was committed to construction contracts totaling $82.0 million.

Sanitation District Project

At June 30, 2006, the Hampton Roads Sanitation District Commission (Nonmajor Component Unit) was committed to construction programs totaling $24.1 million.

Equine Center

The Equine Center has been awarded a $994,000 grant by the United States Department of Agriculture, Rural Development for the construction of a therapeutic riding and community service facility. In connection with this and other projects, the Center has entered into construction and architectural service contracts aggregating $832,593. Through June 30, 2006, progress billings by contractors and architects against the contracts were $66,490.

Higher Education Institutions

Colleges and universities (Component Units) had contractual commitments as of June 30, 2006, of approximately $797.8 million primarily for construction contracts. Higher Education Foundations' commitments total approximately $16.7 million and are primarily for construction contracts.

B. Operating Leases

The Commonwealth has entered into numerous agreements to lease land, buildings, and equipment. Most of the operating leases contain the provision that the Commonwealth may renew the operating leases at the expiration date of the lease on a month–to–month basis. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases of a similar nature. Rental expense for the primary government under these operating leases for the year ended June 30, 2006, was $77.9 million for governmental activities (including Internal Service Funds) and $16.1 million for business-type activities. Rental expense for the discrete component units (excluding Foundations) for the year ended June 30, 2006, was $59.1 million. The Commonwealth has, as of June 30, 2006, the following minimum rental payments due under the above leases (dollars in thousands):

	Primary Government		
	Governmental Activities	Business-type Activities	Component Units (1)
2007	$ 54,397	$ 13,051	$ 43,142
2008	39,746	9,619	34,483
2009	28,986	7,072	27,959
2010	21,119	4,998	24,461
2011	15,615	2,354	14,957
2012-2016	28,067	1,966	39,398
2017-2021	3,956	-	9,440
2022-2026	316	-	52
2027-2031	76	-	-
2032-2036	19	-	-
2037-2041	19	-	-
Total	$ 192,316	$ 39,060	$ 193,892

Note (1): The above amounts exclude operating lease obligations of Foundations.

	Foundations (2)
2007	$ 973
2008	799
2009	605
2010	559
2011	443
Thereafter	4,847
Total	$ 8,226

Note (2): Foundations represent FASB reporting entities defined in Note 1.B. Rental expense for the year ended June 30, 2006, was approximately $1.4 million.

Lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

C. Investment Commitments – Virginia Retirement System

The Virginia Retirement System extends investment commitments in the normal course of business, which, at June 30, 2006, amounted to $4.8 billion.

D. Tobacco Grants

The Tobacco Indemnification and Community Revitalization Commission (Commission) (Nonmajor Component Unit) has $81.0 million in grant award commitments not reflected in these statements since eligibility requirements were not met as of June 30, 2006, in accordance with GASBS No. 33. The Commission awarded an additional $5.7 million in grants in July 2006 that are also not reflected in these statements.

The Virginia Tobacco Settlement Foundation (Nonmajor Component Unit) has $9.8 million in grant commitments and outstanding contracts not reflected in these statements since eligibility requirements were not met as of June 30, 2006, in accordance with GASBS No. 33.

18. ACCRUED LIABILITY FOR COMPENSATED ABSENCES

Employees accrue annual leave at a rate of four to nine hours semimonthly, depending on their length of service. The maximum leave accumulation is dependent upon years of service, but in no case may it exceed 432 hours. The maximum compensation for annual leave balances is also dependent upon years of service, but in no case may an employee be compensated for more than 336 hours.

All employees hired after January 1, 1999, are required to enroll in the Virginia Sickness and Disability Program (VSDP) (see Note 14). Under the VSDP, employees receive a specified number of sick and personal leave hours, depending on their length of service, and any balances at the end of the calendar year revert. Individuals employed at January 1, 1999, had the option of converting to the VSDP or remaining in the original sick leave plan. If converting, the employee's sick leave balance could be used to purchase retirement credits or be converted to disability credits. If an employee opted to remain in the original sick leave program, sick leave accrues at a rate of five hours semimonthly. Employees who leave State service after a minimum of five years employment receive the lesser of 25 percent of the value of their disability credits or accumulated sick leave at their current earnings rate or $5,000. All employees leaving State service are paid for accrued annual leave up to the maximum calendar year limit at their current earnings rate.

In conformance with Section C60 of GASB Codification, the monetary value of accumulated annual and sick leave and disability credits payable upon termination is included in the accompanying financial statements. In the government-wide statements, proprietary fund statements, and discrete component unit fund statements, amounts are segregated into two components – the amount due within one year and the amount due in more than one year. In the governmental fund statements, amounts to be paid from expendable resources are recognized as fund liabilities in the applicable governmental fund types as long-term liabilities and represent payments for separations that occurred prior to June 30. Amounts not payable from expendable resources are reflected in the governmental activities column in the Government-wide Statement of Net Assets (see Note 22). All amounts related to the fiduciary funds are recognized in those funds.

The liability at June 30, 2006, was computed using salary rates effective at that date, and represents vacation, compensatory and sick leave earned or disability credits held up to the allowable ceilings.

19. INSURANCE

A. Self-Insurance

The Commonwealth maintains two types of self-insurance plans. The first type of self-insurance is a health care plan administered by the Department of Human Resource Management for Commonwealth employees. The plan is accounted for in the Health Care – Internal Service Fund. Interfund premiums are accounted for as internal activity receipts from other funds. At June 30, 2006, $81.5 million is reported as the estimated claims payable for this fund, which is undiscounted as nearly all health care claims are current in nature. The estimated liability is based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported as described in Note 1.T. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance July 1,	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, (1)
2005-2006	$ 77,717	$ 730,916	$ (727,159)	$ 81,474
2004-2005	$ 85,706	$ 661,590	$ (669,579)	$ 77,717

(1) Of the balance shown above, $81.5 million is due within one year.

The second type of plan, Risk Management, is administered by the Department of the Treasury, Division of Risk Management and the Department of Human Resource Management, Worker's Compensation Program. These plans are accounted for in the Risk Management - Internal Service Fund. The Department of Treasury administers risk management programs providing property, general (tort) liability, medical malpractice, automobile and surety bond exposures for the Commonwealth of Virginia as provided in Sections 2.2-1834 through 1838 and Section 2.2-1840 of the *Code of Virginia*. Established subject to the approval of the Governor, risk management plans provide state agencies with protection through purchased insurance, self insurance or a combination thereof. Interfund premiums for the fund are accounted for as internal activity receipts from other funds. The claims payable is an estimated liability based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported. At June 30, 2006, $272.1 million is reported as the estimated claims payable for the risk management plan. This amount is discounted to present value at a rate of 3 percent. Undiscounted claims payable at June 30, 2006, is $331.7 million. The estimated losses are based upon actual claims that have been submitted, as well as claims incurred but not reported. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance July 1,	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, (1)
2005-2006	$ 243,257	$ 81,696	$ (52,825)	$ 272,128
2004-2005	$ 219,505	$ 83,164	$ (59,412)	$ 243,257

(1) Of the balance shown above, $51.5 million is due within one year.

For workers' compensation, the Commonwealth assumes the full risk of claims filed. For tort and automobile liability is assumed at a maximum of $2,000,000 per occurrence. Medical malpractice liability is assumed at the maximum per occurrence recovery limit stated in Section 8.01-581.15 of the *Code of Virginia* ($1,850,000 for the year ending June 30, 2006, increasing annually until 2008 when it will reach $2,000,000 per occurrence). Risk Management purchases commercial insurance to protect state-owned property with deductibles as stated in the insurance policies.

The Commonwealth has not had any insurance settlements exceed the coverage during the past three years.

The Virginia Port Authority (Nonmajor Component Unit) is partially self-insured for certain workers' compensation claims. The Authority maintains insurance coverage of $5,000,000 per claim, but is obligated to pay the first $1,000,000 of any individual's claims per incident. The Authority is also partially self-insured for employee health coverage. The Authority is responsible for actual claim costs up to $75,000 per individual per calendar year. Insurance coverage is maintained for claims in excess of the individual employee limit and for aggregate claims in excess of $4,071,501.

B. Public Entity Risk Pools

The Commonwealth administers two types of public entity risk pools for the benefit of local governmental units: health care and risk management insurance. The Local Choice Health Care plan was established to make comprehensive health care insurance available to localities and political subdivisions at affordable rates and with stable premiums. During the fiscal year, there were 233 local government units participating in the pool. This includes 28 school districts, 29 counties, 86 cities/towns, and 90 other subdivisions. This program is accounted for in the Local Choice Health Care Enterprise Fund (nonmajor).

The Department of Human Resource Management, under Section 2.2-1204 of the *Code of Virginia*, has the authority to design, set rates, and administer the Local Choice Health Care fund. The pool's standard contract period is one year. However, a member group may withdraw on the last day of any month with three month's written notice. Contributions are based on the current necessary contribution and the amortization of experience adjustments in the pool. At June 30, 2006, $16.6 million is reported as the actuarially determined estimated claims payable for this fund based on claims incurred but not reported.

The actuarial liability is determined for the membership pool in total and then adjusted for each locality based on individual historic and demographic data. If the pool's assets were to be exhausted, the program participants would share the responsibility for any liabilities or deficits.

The Department of Treasury, Division of Risk Management administers risk management programs for political subdivisions, constitutional officers and others in accordance with Section 2.2-1839 of the *Code of Virginia*. These risk programs are accounted for in the Risk Management Enterprise Fund (nonmajor). Established subject to approval of the Governor, risk management plans provide program members with liability protection and legal defense through purchased insurance, self-insurance or a combination thereof. Participation is voluntary and open to those identified in Section 2.2-1839. As of June 30, 2006, these programs served 542 members. The pool has a minimum membership period of one year. Membership can be canceled with thirty days notice, and members can withdraw from the plan at the end of the fiscal year. The risk management plans assume medical malpractice liability to the maximum per-occurrence limit stated in Section 8.01-581.15 of the *Code of Virginia* ($1,850,000 for the year ending June 30, 2006, increasing annually until 2008 when it will reach $2,000,000 per occurrence). The plans provide maximum limits of $1,000,000 per occurrence for other liability.

At June 30, 2006, $12.8 million is reported as estimated claims payable for these programs. This figure is actuarially determined for the fund in total and is reported at gross and does not reflect possible reimbursements for insurance recoveries.

The following schedule (dollars in thousands) shows the changes in claims liabilities for the past two fiscal years.

	Local Choice Health Care		Risk Management	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year (1)	$ 16,212	$ 15,198	$ 10,467	$ 10,472
Incurred Claims and Claim Adjustment Expenses:				
Provision for Insured Events of the Current Fiscal Year	155,767	144,944	7,498	4,441
Changes in Provision for Insured Events of Prior Fiscal Years	-	-	(2,830)	(2,196)
Total Incurred Claims and Adjustment Expenses	155,767	144,944	4,668	2,245
Payments:				
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	155,406	143,930	177	227
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Fiscal Year	-	-	2,433	2,354
Total Payments	155,406	143,930	2,610	2,581
Change in Provision for Discounts	-	-	279	331
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted) (2) (3)	$ 16,573	$ 16,212	$ 12,804	$ 10,467
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted)	$ 16,573	$ 16,212	$ 13,597	$ 10,926

Note (1): Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year for Risk Management excludes the amount for Commuter Rail due to reporting entity changes.

Note (2): The entire balance for Local Choice Health Care, $16,573 (dollars in thousands) is due within one year.

Note (3): Of the balance shown above for Risk Management, $4,413 (dollars in thousands) is due within one year.

20. ACCOUNTS PAYABLE

The following table (dollars in thousands) summarizes Accounts Payable as of June 30, 2006.

	Vendor	Salary/ Wage	Retainage	Other	Foundations (1)	Total
Primary Government:						
General	$ 148,759	$ 36,435	$ 194	$ -	$ -	$ 185,388
Major Special Revenue Funds:						
Commonwealth Transportation	170,997	13,168	20,677	-	-	204,842
Federal Trust	82,080	5,700	1,013	1	-	88,794
Literary	207	-	-	-	-	207
Nonmajor Governmental Funds	44,260	9,171	11,503	2	-	64,936
Major Enterprise Funds:						
State Lottery (2)	1,712	1,073	-	4,290	-	7,075
Virginia College Savings Plan (2)	69	72	-	1,133	-	1,274
Unemployment Compensation	-	97	-	1	-	98
Nonmajor Enterprise Funds	32,741	1,907	-	881	-	35,529
Internal Service Funds	50,075	2,189	-	-	-	52,264
Private Purpose	974	-	-	1	-	975
Pension and Other Employee Benefit Trust (3)	345	381	-	151,902	-	152,628
Agency Funds	1,687	-	9,515	-	-	11,202
Total Primary Government (4)	$ 533,906	$ 70,193	$ 42,902	$ 158,211	$ -	$ 805,212
Discrete Component Units:						
Virginia Housing Development Authority	$ 31,210	$ -	$ -	$ -	$ -	$ 31,210
Virginia Public School Authority	22	-	-	-	-	22
University of Virginia	58,628	35,536	10,599	69,904	34,091	208,758
Virginia Polytechnic Institute and State University	35,699	28,312	3,263	6,932	7,814	82,020
Virginia Commonwealth University	47,266	41,844	3,749	-	4,968	97,827
Nonmajor Component Units	131,036	67,954	15,712	5,964	16,042	236,708
Total Component Units	$ 303,861	$ 173,646	$ 33,323	$ 82,800	$ 62,915	$ 656,545

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.

Note (2): Other Accounts Payable for the State Lottery represents prizes payable. Other Accounts Payable for the Virginia College Savings Plan represents investment fees payable.

Note (3): Other Accounts Payable for the Pension and Other Employee Benefit Trust Fund consists of $142,269 (dollars in thousands) in investment payables associated with month-end rebalancing and $9,633 (dollars in thousands) in program benefit liabilities

Note (4): Fiduciary liabilities of $164,805 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. In addition, Governmental Fund liabilities of $41,160 (dollars in thousands) are included in the Government-wide Statement of Net Assets, but excluded from the above amounts.

21. OTHER LIABILITIES

The following table (dollars in thousands) summarizes Other Liabilities as of June 30, 2006.

	Primary Government				
	General	Commonwealth Transportation	Federal Trust	Nonmajor Governmental Funds	State Lottery
Lottery Prizes Payable	$ -	$ -	$ -	$ -	$ 35,196
Due to Program Participants, Escrows, and Providers	-	-	-	-	-
Medicaid Payable	172,975	-	173,974	-	-
Family Access to Medical Insurance Security Payable	1,012	-	1,879	-	-
Tax Refunds Payable	250,758	-	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-	-
Deposits Pending Distribution	2,702	3,155	21	292	-
Car Tax Refund Payable	273,895	-	-	-	-
Other Liabilities	-	-	-	2,109	-
Total Other Liabilities	$ 701,342	$ 3,155	$ 175,874	$ 2,401	$ 35,196

	Primary Government *(continued)*				
	Virginia College Savings Plan	Unemployment Compensation	Nonmajor Enterprise Funds	Internal Service Funds	Private Purpose Funds
Lottery Prizes Payable	$ -	$ -	$ -	$ -	$ -
Due to Program Participants, Escrows, and Providers	95	24,126	-	-	69
Medicaid Payable	-	-	-	-	-
Family Access to Medical Insurance Security Payable	-	-	-	-	-
Tax Refunds Payable	-	-	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-	-
Deposits Pending Distribution	-	-	179	-	-
Car Tax Refund Payable	-	-	-	-	-
Other Liabilities	-	-	55	1,210	-
Total Other Liabilities	$ 95	$ 24,126	$ 234	$ 1,210	$ 69

(Continued on next page)

	Primary Government *(continued)*		
	Pension and Other Employee Benefit Trust Funds	Agency Funds	Total Primary Government (1)
Lottery Prizes Payable	$ -	$ -	$ 35,196
Due to Program Participants, Escrows, and Providers	-	23,405	47,695
Medicaid Payable	-	-	346,949
Family Access to Medical Insurance Security Payable	-	-	2,891
Tax Refunds Payable	-	-	250,758
Insurance Carrier Surety Deposit	-	400,451	400,451
Deposits Pending Distribution	-	32,833	39,182
Car Tax Refund Payable	-	-	273,895
Other Liabilities	3,759	1,860	8,993
Total Other Liabilities	$ 3,759	$ 458,549	$ 1,406,010

Note (1): Fiduciary liabilities of $462,377 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. In addition, Governmental Fund liabilities of $470,989 (dollars in thousands) are included in the Government-wide Statement of Net Assets, but excluded from the above amounts.

	Component Units				
	Virginia Housing Development Authority	Virginia Public School Authority	University of Virginia	Virginia Polytechnic Institute & State University	Virginia Commonwealth University
Accrued Interest Payable	$ 73,401	$ 55,527	$ -	$ 448	$ 4,170
Other Liabilities	-	512	18,492	17,295	114,956
Deposits Pending Distribution	-	-	218,145	13,803	26,289
Short-term Debt	-	-	67,000	-	-
Grants Payable	-	-	-	-	-
Total Other Liabilities	$ 73,401	$ 56,039	$ 303,637	$ 31,546	$ 145,415

	Component Units	
	Nonmajor Component Units	Total Component Units
Accrued Interest Payable	$ 49,947	$ 183,493
Other Liabilities	43,223	194,478
Deposits Pending Distribution	18,285	276,522
Short-term Debt	30,433	97,433
Grants Payable	6,133	6,133
Total Other Liabilities	$ 148,021	$ 758,059

Medicaid Payable

Medicaid Payable represents services rendered but not billed by providers and potential liability resulting from cost reports not settled as of year-end. Providers subject to cost settlement are paid in the interim based on established per diem or diagnosis related group rates for services.

The Department of Medical Assistance Services (DMAS) estimates, based on past experience, the total amount of Medicaid claims that will be paid from the Medicaid program in the future which relate to services provided before year-end. At June 30, 2006, the estimated liability related to Medicaid claims totaled $346.9 million. Of this amount $172.9 million is reflected in the General Fund (major) and $174.0 million in the Federal Trust Special Revenue Fund (major).

Family Access to Medical Insurance Security Payable

DMAS estimates the total amount of claims that will be paid from the Family Access to Medical Insurance Security program in the future which relate to services provided before year-end. At June 30, 2006, the estimated liability related to claims totaled $2.9 million. Of this amount, $1.0 million is reflected in the General Fund (major) and $1.9 million in the Federal Trust Special Revenue Fund (major).

Tax Refunds Payable

Tax refunds payable represent refunds due on individual tax returns filed for the calendar year ended December 31, 2005, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2006. The individual tax return filing deadline is May 1 of each year for the preceding calendar year. The corporate tax return filing deadline is the 15th day of the fourth month following the close of the corporate fiscal year.

Car Tax Refund Payable

During the year ended June 30, 1998, the General Assembly passed the Personal Property Tax Relief Act. Under the terms of this legislation, the Commonwealth assumed financial responsibility for a portion, ranging from 12.5 percent to 70.0 percent, of the personal property taxes assessed by localities.

During 2004, the General Assembly modified this legislation. Chapter 1 of Special Session 1 (2004) established a $950 million limit on the amount the state would appropriate for personal property tax relief, beginning for tax year 2006. It further established that each county, city, and town would receive a fixed percentage of the $950 million, with payments to begin on or after July 1, 2006 (fiscal year 2007). The accrued liability amount of $273.9 million reflects payments owed to localities as of June 30 and paid in July and August.

Short-term Debt

Various Higher Education Institutions' Foundations (Component Units) have lines of credit with banks. University of Virginia Foundations (Major Component Unit) report $41.0 million and Nonmajor Component Unit Foundations report $30.4 million. This short-term debt is for working capital, property acquisition, construction costs, and operating costs. The University of Virginia (Major Component Unit) has commercial paper of $26.0 million to provide bridge financing for capital projects.

The balance of Other Liabilities is spread among various other funds.

22. LONG–TERM LIABILITIES

Commonwealth bonds are issued pursuant to Section 9 of Article X of the *Constitution of Virginia*. Section 9(a) bonds have been issued to redeem previous debt obligations. Section 9(b) bonds have been authorized by the citizens of Virginia through bond referenda to finance capital projects. These bonds are retired through the use of State appropriations. Section 9(c) bonds are issued to finance capital projects which, when completed, will generate revenue to repay the debt. Section 9(a), 9(b), and 9(c) bonds are tax-supported general obligation bonds and are backed by the full faith, credit, and taxing power of the Commonwealth. No other long-term debt or obligations are backed by the full faith, credit, and taxing power of the Commonwealth.

Section 9(d) bonds are revenue bonds and are not backed by the full faith, credit and taxing power of the Commonwealth. These bonds are not general obligation bonds and are not deemed to constitute a legal liability of the Commonwealth. This debt may be supported by State appropriations in whole or in part, as in the case of certain debt of the VPA (Nonmajor Component Unit), VPBA (Primary Government), ITA (Nonmajor Component Unit), and VCBA (Nonmajor Component Unit). Other 9(d) revenue bonds are payable from general revenues of the component units, or from revenues of specific revenue-producing capital projects such as the teaching hospitals, dormitories, student centers, and dining halls at the various colleges and universities (Component Units). Additionally, the 9(d) Transportation Bonds (Primary Government) are payable solely from revenues or earnings, and other available sources of funds appropriated by the General Assembly.

Certain 9(d) bonds are considered, with 9(a), 9(b), and 9(c) bonds, to be tax-supported debt of the Commonwealth. Tax-supported debt includes all bond issues and short-term debt supported by tax revenues (net of sinking fund requirements), for which debt service payments are made or are ultimately pledged to be made from general governmental funds.

Other 9(d) revenue bonds are considered debt not supported by taxes. For this debt, the Commonwealth has no direct or indirect pledge of tax revenues. However, in some cases, the Commonwealth has made a moral obligation pledge. A government's moral obligation pledge provides a deficiency make-up for bondholders should underlying project revenues prove insufficient. The mechanics involve funding a debt service reserve fund when the bonds are issued. If a revenue deficiency exists, reserve fund monies are used to pay bondholders. The issuer then informs the legislative body requesting that it replenish the reserve fund before subsequent debt service is due. The legislative body may, but is not legally required to, replenish the reserve fund. These bonds are considered to be moral obligation debt.

The following schedule presents the total long–term liabilities of the Commonwealth, and the portion of these amounts which are due within one year, as reported on the Government-wide Statement of Net Assets.

Total Long-term Liabilities

June 30, 2006

(Dollars in Thousands)	Balance At June 30	Amount Due Within One Year
Primary Government:		
Governmental Activities:(1)		
General Obligation Bonds: (2)		
9(b) Transportation Facilities (3)	$ 29,660	$ 4,885
9(b) Public Facilities (3)	596,464	47,530
9(c) Parking Facilities (3)	9,939	1,070
9(c) Transportation Facilities (3)	80,435	10,809
Total General Obligation Bonds	716,498	64,294
Non-General Obligation Bonds - 9(d):		
Transportation Debt (3) (4)	1,939,666	153,355
Virginia Public Building Authority (3)	1,292,251	88,135
Total Non-General Obligation Bonds	3,231,917	241,490
Other Long-term Obligations:		
Pension Liability	709,835	-
Compensated Absences	328,799	201,406
Capital Lease Obligations	126,615	9,503
Regional Jail Financing Payable	13,375	1,682
Notes Payable	28,578	2,701
Installment Purchase Obligations	50,485	6,722
Industrial Development Authority Obligations	23,160	4,150
Economic Development Authority Obligations (3)	100,592	-
Other Liabilities	18,114	2,534
Total Other Long-term Obligations	1,399,553	228,698
Total Governmental Activities (3)	5,347,968	534,482
Business-type Activities: (1) (6)		
Other Long-term Obligations:		
Pension Liability	14,474	-
Compensated Absences	8,262	4,065
Installment Purchase Obligations	5,967	3,087
Tuition Benefits Payable	1,617,517	64,300
Lottery Prizes Payable	346,636	58,528
Total Other Long-term Obligations	1,992,856	129,980
Total Business-type Activities (3)	1,992,856	129,980
Total Primary Government	7,340,824	664,462

(Continued on next page)

Total Long-term Liabilities
June 30, 2006
(continued from previous page)

(Dollars in Thousands)	Balance At June 30	Amount Due Within One Year
Component Units:		
General Obligation Bonds: (2)		
Higher Education Fund - 9(c) Bonds (3)	325,969	29,781
Non-General Obligation Bonds:		
Higher Education Institutions - 9(d) (3) (6)	840,779	24,977
Virginia College Building Authority (3)	641,954	64,169
Innovative Technology Authority	7,935	790
Virginia Port Authority (3) (7)	392,337	18,074
Virginia Housing Development Authority (3) (8)	5,155,015	388,409
Virginia Resources Authority (3) (8)	1,381,859	49,880
Virginia Public School Authority (3) (6)	2,689,512	182,392
Hampton Roads Sanitation District Commission (6)	144,450	11,943
Virginia Equine Center Foundation (6)	15,320	560
Virginia Biotechnology Research Park Authority (3) (9)	64,332	3,158
Foundations (6) (10)	373,571	6,009
Total Non-General Obligation Bonds	11,707,064	750,361
Other Long-term Obligations:		
Pension Liability (5)	259,739	-
Compensated Absences	199,127	117,862
Capital Lease Obligations	59,532	4,833
Notes Payable (6)	908,394	94,183
Installment Purchase Obligations	137,788	22,474
Trust and Annuity Obligations (11)	31	31
Other Liabilities (6)	284,322	43,582
Total Other Long-term Obligations (Excluding Foundations)	1,848,933	282,965
Other Long-term Obligations (Foundations): (6) (10)		
Pension Liability	27,815	-
Compensated Absences	3,832	3,728
Capital Lease Obligations	232	110
Notes Payable	207,295	29,423
Installment Purchase Obligations	227	104
Trust and Annuity Obligations (11)	91,035	2,659
Other Liabilities	34,843	255
Total Other Long-term Obligations - Foundations	365,279	36,279
Total Other Long-term Obligations	2,214,212	319,244
Total Component Units	14,247,245	1,099,386
Total Long-term Liabilities	$ 21,588,069	$ 1,763,848

1. Pursuant to GASB Statement No. 34, governmental activities include Internal Service Funds. Business-type Activities are considered Enterprise Funds.
2. Total general obligation debt of the Commonwealth is $1,042.5 million.
3. Amounts are net of any unamortized discounts, premiums, and deferrals.
4. This debt includes $918.5 million that is not supported by taxes.
5. This includes pension obligations that do not relate to the Virginia Retirement System from Virginia Commonwealth University of $3.0 million and Virginia Port Authority of $4.9 million. It does not include pension obligations from fiduciary funds of $2.0 million.
6. This debt is not supported by taxes.
7. This debt includes $141.1 million that is not supported by taxes.
8. This debt is not supported by taxes; however, $498.3 million from VHDA and $704.5 million from VRA is considered moral obligation debt.
9. This debt includes $11.9 million that is not supported by taxes.
10. Foundations represent FASB reporting entities defined in Note 1.B.
11. These generally represent split-interest agreements that represent donor contributed assets with the requirement that an annual distribution be made to the donor or specified beneficiary. The annual distributions are usually for a fixed dollar amount or a fixed percentage of the trust's fair market value. The present value of these commitments is reported as Trust and Annuity Obligations.

Primary Government

Transportation Facilities Debt

Transportation Facilities Bonds include $29,659,923 of Section 9(b) general obligation bonds, $80,435,171 of Section 9(c) general obligation bonds and $1,021,172,044 of Section 9(d) revenue bonds. The Transportation Facilities Section 9(d) debt of $1,939,665,581 includes $918,493,537 of outstanding Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes in addition to the outstanding Section 9(d) revenue bonds. Principal and interest requirements for the current year totaled $237,312,981. The Section 9(b) Transportation Facilities bonds represent Powhite Refunding Bonds. The Section 9(c) Transportation Facilities Bonds were issued to fund the construction and improvement of the Omer L. Hirst - Adelard L. Brault Expressway and the George P. Coleman Bridge. The Section 9(d) Transportation Facilities Bonds were issued to fund the construction of State Route 28, U.S. Route 58, the Northern Virginia Transportation District Program, and the Oak Grove Connector (Chesapeake). The Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes were issued to finance various capital transportation projects throughout the Commonwealth. The interest rates for these bonds range from 2.00 percent to 7.25 percent and the issuance dates range from June 28, 1989, to May 11, 2006.

On September 28, 2005, the Commonwealth Transportation Board issued $250,000,000 of Section 9(d) Federal Highway Reimbursement Anticipation Notes, Series 2005. The Series 2005 notes were issued to finance various capital transportation projects throughout the Commonwealth. On March 15, 2006, the Commonwealth issued $36,415,000 of Section 9(c) Transportation Facilities Refunding Bonds, Series 2006A. The Series 2006A bonds were issued to advance refund outstanding Series 1996 bonds. On May 11, 2006, the Commonwealth Transportation Board issued $23,160,000 of Section 9(d) Transportation Revenue Refunding Bonds Series 2006A, $20,020,000 of Section 9(d) Transportation Revenue Refunding Bonds Series 2006B, and $63,460,000 of Section 9(d) Transportation Revenue Refunding Bonds Series 2006C. The Series 2006A bonds were issued to advance refund outstanding Series 1997A bonds. The Series 2006B bonds were issued to advance refund outstanding Series 1999A, Series 2001A, and Series 2002A bonds. The Series 2006C bonds were issued to advance refund outstanding Series 1999B and Series 2001B bonds.

The following schedules detail the annual funding requirements necessary to amortize Transportation Facilities 9(b) and 9(c) bonds and 9(d) debt:

9(b) TRANSPORTATION FACILITIES BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2007	$ 4,885,000	$ 1,357,750	$ 6,242,750
2008	5,130,000	1,113,500	6,243,500
2009	5,415,000	857,000	6,272,000
2010	5,715,000	586,250	6,301,250
2011	6,010,000	300,500	6,310,500
2012-2016	-	-	-
Less: Deferral on Debt Defeasance	(591,800)	-	(591,800)
Add: Unamortized Premium	3,096,723	-	3,096,723
Total	$ 29,659,923	$ 4,215,000	$ 33,874,923

9(c) TRANSPORTATION FACILITIES BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2007	$ 10,808,630	$ 3,232,719	$ 14,041,349
2008	10,829,756	2,870,913	13,700,669
2009	7,549,000	2,522,950	10,071,950
2010	4,585,000	2,346,350	6,931,350
2011	4,795,000	2,136,100	6,931,100
2012-2016	27,850,000	6,831,250	34,681,250
2017-2021	14,205,000	1,749,000	15,954,000
2022-2026	-	-	-
Less: Unamortized Discount	(1,101,705)	-	(1,101,705)
Deferral on Debt Defeasance	(1,993,600)	-	(1,993,600)
Add: Unamortized Premium	2,908,090	-	2,908,090
Total	$ 80,435,171	$ 21,689,282	$ 102,124,453

9(d) TRANSPORTATION FACILITIES DEBT
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2007	$ 153,355,000	$ 86,054,655	$ 239,409,655
2008	160,515,000	78,851,569	239,366,569
2009	165,550,000	71,216,607	236,766,607
2010	176,980,000	62,989,284	239,969,284
2011	185,715,000	54,080,544	239,795,544
2012-2016	570,045,000	171,000,856	741,045,856
2017-2021	302,569,776	65,906,963	368,476,739
2022-2026	125,054,195	15,113,044	140,167,239
2027-2031	13,395,276	156,000	13,551,276
2032-2036	1,724,420	-	1,724,420
Add: Accretion on Capital Appreciation Bonds	7,447,475	-	7,447,475
Less: Deferral on Debt Defeasance	(22,410,700)	-	(22,410,700)
Add: Unamortized Premium	99,725,139	-	99,725,139
Total	$ 1,939,665,581	$ 605,369,522	$ 2,545,035,103

Fairfax Economic Development Authority Obligations

In fiscal year 2006, the Fairfax County Economic Development Authority (EDA) issued Section 9(d) revenue bonds to pay for the Commonwealth's (VDOT) costs of the planning, design and construction of a transportation infrastructure and related public safety operations complex to be developed on the contiguous sites in the County commonly referred to as "Camp 30" for the joint use of VDOT and the County. The Commonwealth's obligation is set out in a payment agreement between Fairfax County EDA and the Commonwealth of Virginia, Department of Transportation, in which the Commonwealth agrees to make payments equal to the debt service from amounts appropriated by the General Assembly. The interest rates for these bonds range from 4.25 percent to 5.00 percent and the issue date was April 12, 2006. There were no current year principal and interest requirements. The following schedule details the annual funding requirements necessary to repay these bonds:

FAIRFAX COUNTY ECONOMIC DEVELOPMENT AUTHORITY
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2007	$ -	$ 5,065,538	$ 5,065,538
2008	3,190,000	4,640,187	7,830,187
2009	3,345,000	4,480,687	7,825,687
2010	3,515,000	4,313,437	7,828,437
2011	3,690,000	4,137,688	7,827,688
2012-2016	21,410,000	17,729,188	39,139,188
2017-2021	27,220,000	11,925,288	39,145,288
2022-2026	34,145,000	4,995,950	39,140,950
Add:			
Unamortized Premium	4,076,692	-	4,076,692
Total	$ 100,591,692	$ 57,287,963	$ 157,879,655

Public Facilities Bonds

Section 9(b) general obligation bonds consist of Public Facilities Bonds, Series 1993B, Series 1996, Series 1996 Refunding, Series 1997, Series 1998 Refunding, Series 1998, Series 1999A, Series 2002 Refunding, Series 2003A Refunding, Series 2004A, Series 2004B Refunding, Series 2005A and Series 2006A Refunding. All bonds were issued to fund construction projects for higher educational institutions, mental health, and/or park facilities. The Series 2003A bonds were issued to advance refund outstanding Series 1993A and B, Series 1994, and Series 1996 bonds. The Series 2004B bonds were issued to advance refund outstanding Series 1997, Series 1998, and Series 1999A bonds. The Series 2006A bonds were issued to advance refund outstanding Series 1996 bonds. Principal and interest requirements for the current year totaled $75,304,668. The interest rates for all bonds range from 2.0 percent to 5.65 percent and the issuance dates range from June 6, 1996, to March 15, 2006. The following schedule details the annual funding requirements necessary to repay these bonds:

9(b) PUBLIC FACILITIES BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2007	$ 47,530,000	$ 27,137,414	$ 74,667,414
2008	45,290,000	24,961,664	70,251,664
2009	47,220,000	22,887,176	70,107,176
2010	46,890,000	20,781,095	67,671,095
2011	46,595,000	18,575,495	65,170,495
2012-2016	197,865,000	60,029,267	257,894,267
2017-2021	87,620,000	24,485,288	112,105,288
2022-2026	52,330,000	5,287,725	57,617,725
Less:			
Deferral on Debt Defeasance	(10,246,000)	-	(10,246,000)
Add:			
Unamortized Premium	35,369,709	-	35,369,709
Total	$ 596,463,709	$ 204,145,124	$ 800,608,833

Parking Facilities Bonds

Section 9(c) general obligation bonds consist of Parking Facilities Bonds, Series 1996, 2002 Refunding, 2003A, 2004A and 2006A Refunding. The Series 1996 bonds were issued to fund the renovation of the Seventh and Marshall Street parking deck. The Series 2002 Refunding bonds were issued to advance refund outstanding Series 1996 and Series 1993 Refunding bonds. The Series 2004A bonds were issued to fund the renovation of the Ninth and Franklin Street parking deck. The Series 2006A Refunding bonds were issued to advance refund outstanding Series 1996 outstanding bonds. The interest rates for these bonds range from 2.5 percent to 5.7 percent and the issuance dates range from June 6, 1996, to March 15, 2006. Current year principal and interest requirements totaled $1,554,449.

The following schedule details the annual funding requirements necessary to repay these bonds:

9(c) PARKING FACILITIES BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2007	$ 1,070,042	$ 464,470	$ 1,534,512
2008	1,148,715	412,411	1,561,126
2009	1,000,426	356,776	1,357,202
2010	1,046,985	307,004	1,353,989
2011	1,068,102	254,655	1,322,757
2012-2016	1,385,000	884,500	2,269,500
2017-2021	1,605,000	521,250	2,126,250
2022-2026	1,170,000	108,950	1,278,950
Less:			
Deferral on Debt Defeasance	(313,100)	-	(313,100)
Add:			
Unamortized Premium	758,268	-	758,268
Total	$ 9,939,438	$ 3,310,016	$ 13,249,454

Virginia Public Building Authority

Virginia Public Building Authority (VPBA) Section 9(d) bonds consist of Series 1992B, 1995A, 1996A refunding, 1997A, 1998A refunding, 1998B, 1999A, 1999B, 2000A, 2001A, 2002A, 2003A refunding, 2004A refunding, 2004B, 2004C refunding, 2004D refunding, 2005A refunding, 2005B refunding, 2005C and 2005D.

All bonds were issued for the purpose of constructing, improving, furnishing, maintaining, and acquiring public buildings for the use of the Commonwealth and also to reimburse localities, regional jail authorities or other combination of localities under the Regional Jail Financing Program. The Series 2004C and 2005A bonds were issued to refinance certain capital lease obligations of the Commonwealth. The Series 2004D bonds were issued to advance refund outstanding Series 1997A, Series 1999B, and Series 2000A bonds. The Series 2005B bonds were issued to advance refund outstanding Series 1996A, Series 1998B, and Series 1999A bonds. The interest rates for all bonds range from 2.5 percent to 6.6 percent and the issuance dates range from August 1, 1992, to December 7, 2005. Current year principal and interest requirements totaled $127,568,434. The following schedule details the annual funding requirements necessary to repay these bonds:

9(d) VIRGINIA PUBLIC BUILDING AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2007	$ 88,135,000	$ 55,607,268	$ 143,742,268
2008	97,100,000	52,068,604	149,168,604
2009	102,320,000	48,163,228	150,483,228
2010	106,525,000	43,918,917	150,443,917
2011	103,310,000	39,406,968	142,716,968
2012-2016	454,250,000	126,887,448	581,137,448
2017-2021	208,705,000	46,573,143	255,278,143
2022-2026	114,160,000	11,084,256	125,244,256
Less: Unamortized Discount	(7,505,914)	-	(7,505,914)
Deferral on Debt Defeasance	(32,549,306)	-	(32,549,306)
Add: Unamortized Premium	57,800,759	-	57,800,759
Total	$ 1,292,250,539	$ 423,709,832	$ 1,715,960,371

Regional Jail Financing Program

The Regional Jail Financing Program of the Commonwealth of Virginia Treasury Board was created during the 1993 Session of the General Assembly to establish a method of reimbursing localities, regional jail authorities or other combination of localities for a portion of the capital and financing costs of a jail project, made pursuant to Sections 53.1-80, 53.1-81, or 53.1-82 of the *Code of Virginia.* The General Assembly, upon recommendation from the Department of Planning and Budget, may determine to reimburse localities for approved capital costs over time through a contractual Reimbursement Agreement between the localities or authority and the Treasury Board. The Board of Corrections determines the amount of reimbursable capital costs. If approved for reimbursement over time, the Treasury Board determines the amount of reimbursable financing costs and calculates the periodic reimbursement payments.

In 1996, the General Assembly adopted legislation that authorized funding of jail project reimbursements through bonds issued by the Virginia Public Building Authority (VPBA). As of June 30, 1998, all future jail reimbursements were approved for funding through the VPBA as opposed to the Treasury Board. All reimbursements, whether up front or over time, are subject to appropriation by the General Assembly.

The following schedule details the annual funding requirements necessary to repay these obligations:

REGIONAL JAILS FINANCING
Financial Obligations to Maturity

Calendar Year Obligations	*Capital Costs*	*Financing Costs*	*Total*
2007	$ 1,681,599	$ 951,891	$ 2,633,490
2008	1,712,928	919,166	2,632,094
2009	1,749,353	884,436	2,633,789
2010	1,785,867	847,421	2,633,288
2011	1,827,477	808,212	2,635,689
2012-2016	4,617,363	845,111	5,462,474
Total	$ 13,374,587	$ 5,256,237	$ 18,630,824

Industrial Development Authority Obligations

In fiscal year 2002, the Newport News Industrial Development Authority (IDA) issued Section 9(d) revenue bonds to pay a portion of the cost of construction and equipping of the Virginia Advanced Shipbuilding and Carrier Integration Center for use by the Newport News Shipbuilding and Dry Dock Company. The Commonwealth's obligation is set out in a payment agreement between Newport News IDA and the Treasury Board, in which the Treasury Board agrees to make payments equal to the debt service from amounts appropriated by the General Assembly. The interest rates for these bonds range from 2.75 percent to 5.03 percent and the issue date was July 27, 2000. Current year principal and interest requirements totaled $5,311,431. The following schedule details the annual funding requirements necessary to repay these bonds:

NEWPORT NEWS INDUSTRIAL DEVELOPMENT AUTHORITY
Debt Service Requriements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2007	$ 4,150,000	$ 1,144,390	$ 5,294,390
2008	4,370,000	920,545	5,290,545
2009	4,615,000	678,287	5,293,287
2010	4,875,000	417,313	5,292,313
2011	5,150,000	141,625	5,291,625
2012-2016	-	-	-
Total	$ 23,160,000	$ 3,302,160	$ 26,462,160

Component Units

Higher Education Institution Bonds

Higher Education Institution Bonds are comprised of both 9(c) general obligation bonds and 9(d) revenue bonds. Section 9(d) bonds are from several sources as shown on the following schedule (dollars in thousands):

College and university bonds backed by pledge of general revenue or revenue from specific revenue-producing capital projects	$	646,914
College and university debt backed exclusively by pledged revenues of an institution		193,865
Total Higher Education Institution 9(d) debt	$	840,779

The interest rates for these bonds range from 1.5 percent to 9.25 percent and the issuance dates range from June 30, 1979 to April 19, 2006. The following schedules detail the annual funding requirements necessary to amortize Higher Education Institution 9(c) and 9(d) bonds:

9(c) HIGHER EDUCATION INSTITUTION BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2007	$ 29,571,328	$ 15,610,092	$ 45,181,420
2008	31,281,529	14,300,001	45,581,530
2009	30,614,574	12,920,999	43,535,573
2010	29,748,015	11,614,990	41,363,005
2011	26,743,898	10,184,726	36,928,624
2012-2016	98,215,000	34,221,804	132,436,804
2017-2021	56,395,000	14,846,000	71,241,000
2022-2026	26,100,000	4,679,100	30,779,100
2027-2031	6,620,000	760,950	7,380,950
Less: Unamortized Discount	(694,455)	-	(694,455)
Deferral on Debt Defeasance	(11,119,000)	-	(11,119,000)
Add: Unamortized Premium	2,492,899	-	2,492,899
Total	$ 325,968,788	$ 119,138,662	$ 445,107,450

9(d) HIGHER EDUCATION INSTITUTION BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2007	$ 25,480,721	$ 34,515,374	$ 59,996,094
2008	26,074,067	34,781,820	60,855,887
2009	24,012,515	33,727,830	57,740,345
2010	23,476,067	32,791,750	56,267,817
2011	30,129,726	31,903,082	62,032,808
2012-2016	144,802,509	139,680,089	284,482,598
2017-2021	114,372,079	110,213,063	224,585,142
2022-2026	115,655,888	84,869,681	200,525,570
2027-2031	106,265,000	61,456,540	167,721,540
2032-2036	184,425,000	36,973,287	221,398,287
2037-2041	45,985,000	2,299,250	48,284,250
Less: Deferral on Debt Defeasance	(12,084,500)	-	(12,084,500)
Add: Unamortized Premium	12,185,709	-	12,185,709
Total	$ 840,779,781	$ 603,211,766	$ 1,443,991,547

9(d) VIRGINIA COLLEGE BUILDING AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2007	$ 62,250,000	$ 28,761,343	$ 91,011,343
2008	56,895,000	26,587,731	83,482,731
2009	52,230,000	23,932,144	76,162,144
2010	46,240,000	21,375,725	67,615,725
2011	36,890,000	19,264,487	56,154,487
2012-2016	142,940,000	73,664,568	216,604,568
2017-2021	145,670,000	36,355,638	182,025,638
2022-2026	68,840,000	6,370,090	75,210,090
Less: Deferral on Debt Defeasance	(4,248,000)	-	(4,248,000)
Add: Unamortized Premium	34,246,722	-	34,246,722
Total	$ 641,953,722	$ 236,311,726	$ 878,265,448

Various Higher Education Institutions' Foundations (Component Units) have bonds outstanding as of year-end. The purpose of a majority of these bonds is for construction, property acquisition, and defeasance of prior debt. Many principal and interest payments are to banks or industrial development authorities located throughout the Commonwealth. The following schedule details the future principal payments:

HIGHER EDUCATION INSTITUTIONS' FOUNDATIONS' BONDS (1)
Debt Service Requirements to Maturity

Maturity	*Principal*
2007	$ 6,010,481
2008	6,262,831
2009	6,288,179
2010	6,391,183
2011	42,061,107
Thereafter	276,557,903
Total	$ 343,571,684

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.

Innovative Technology Authority

The Innovative Technology Authority (ITA) has issued Taxable Lease Revenue Bonds, Series 1989, and Series 1997 refunding. The Series 1989 bonds were issued to cover a portion of the costs related to the construction of a software development center and office building. Series 1997 bonds were issued to advance refund $11.2 million of the outstanding 1989 bonds.

The 1989 bonds had an average interest rate of 10.3 percent and the 1997 bonds have an average interest rate of 7.4 percent. The bonds were issued on March 1, 1989, and May 1, 1997, respectively. The following schedule details the annual funding requirements necessary to amortize ITA bonds:

9(d) INNOVATIVE TECHNOLOGY AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2007	$ 790,000	$ 591,525	$ 1,381,525
2008	875,000	534,013	1,409,013
2009	855,000	470,051	1,325,051
2010	935,000	407,208	1,342,208
2011	1,015,000	336,896	1,351,896
2012-2016	3,465,000	530,912	3,995,912
Total	$ 7,935,000	$ 2,870,605	$ 10,805,605

Virginia Port Authority

The Virginia Port Authority (VPA) has issued Section 9(d) revenue bonds and notes pursuant to powers provided to its Board of Commissioners by the *Code of Virginia.* The interest rates for these bonds range from 3.0 percent to 6.0 percent and the issuance dates range from October 23, 1996, to April 16, 2006. Series 1998 bonds were issued to advance refund $71.0 million of the outstanding Series 1988 bonds. Series 2006A bonds were issued to advance refund $22.9 million of outstanding Series 1996 bonds The following schedule details the annual funding requirements necessary to amortize VPA bonds:

9(d) VIRGINIA PORT AUTHORITY DEBT
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2007	$ 17,715,000	$ 19,106,418	$ 36,821,418
2008	20,625,000	18,464,380	39,089,380
2009	20,640,000	17,389,644	38,029,644
2010	11,095,000	16,575,231	27,670,231
2011	11,650,000	16,013,881	27,663,881
2012-2016	67,620,000	70,345,950	137,965,950
2017-2021	72,155,000	51,491,627	123,646,627
2022-2026	91,375,000	30,408,070	121,783,070
2027-2031	63,540,000	7,811,313	71,351,313
2032-2036	9,580,000	659,250	10,239,250
Add: Unamortized Premium	6,711,767	-	6,711,767
Less: Deferral on Debt Defeasance	(369,981)	-	(369,981)
Total	$ 392,336,786	$ 248,265,764	$ 640,602,550

Virginia Housing Development Authority

The Virginia Housing Development Authority (VHDA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 3.23 percent to 8.18 percent and the origination dates range from April 1, 1983, to May 23, 2006. The following schedule details the annual funding requirements necessary to amortize these bonds:

9(d) VIRGINIA HOUSING DEVELOPMENT AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2007	$ 388,408,673	$ 250,060,516	$ 638,469,189
2008	189,825,000	240,661,675	430,486,675
2009	218,320,000	232,527,458	450,847,458
2010	227,185,000	223,133,852	450,318,852
2011	219,370,000	213,190,604	432,560,604
2012-2016	1,010,765,000	917,067,228	1,927,832,228
2017-2021	885,210,000	667,989,551	1,553,199,551
2022-2026	752,305,000	447,499,515	1,199,804,515
2027-2031	558,378,993	265,298,338	823,677,331
2032-2036	456,065,883	123,963,572	580,029,455
2037-2041	143,175,000	43,772,198	186,947,198
2042-2046	99,920,000	11,170,344	111,090,344
2047-2051	-	-	-
Add: Unamortized Premium	6,897,100	-	6,897,100
Less: Unamortized Discount	(811,000)	-	(811,000)
Total	$ 5,155,014,649	$ 3,636,334,851	$ 8,791,349,500

Virginia Resources Authority

The Virginia Resources Authority (VRA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 1.36 percent to 8.70 percent and the origination dates range from December 1, 1985, to June 8, 2006. The following schedule details the annual funding requirements necessary to amortize these bonds:

9(d) VIRGINIA RESOURCES AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2007	$ 49,880,000	$ 61,468,644	$ 111,348,644
2008	58,300,000	58,955,882	117,255,882
2009	59,530,000	56,608,609	116,138,609
2010	60,775,000	54,190,302	114,965,302
2011	75,480,000	51,642,202	127,122,202
2012-2016	360,115,000	205,116,759	565,231,759
2017-2021	308,645,000	128,011,592	436,656,592
2022-2026	238,340,000	64,092,461	302,432,461
2027-2031	119,477,870	28,641,230	148,119,100
2032-2036	86,060,000	11,033,145	97,093,145
2037-2041	1,690,000	40,750	1,730,750
Add: Unamortized Premium	42,392,398	-	42,392,398
Less: Unamortized Discounts and Issuance Expenses	(27,860,362)	-	(27,860,362)
Unaccreted Capital Appreciation Bonds	(50,966,036)	-	(50,966,036)
Total	$ 1,381,858,870	$ 719,801,576	$ 2,101,660,446

Virginia Public School Authority

The Virginia Public School Authority (VPSA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 2.00 percent to 6.00 percent and the origination dates range from November 20,1997 to May 11, 2006. The following schedule details the annual funding requirements necessary to amortize these bonds:

9(d) VIRGINIA PUBLIC SCHOOL AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2007	$ 183,880,000	$ 127,988,303	$ 311,868,303
2008	181,125,000	118,986,923	300,111,923
2009	181,175,000	110,077,759	291,252,759
2010	176,490,000	101,066,925	277,556,925
2011	170,845,000	92,337,559	263,182,559
2012-2016	768,509,060	341,871,766	1,110,380,826
2017-2021	609,938,003	166,913,925	776,851,928
2022-2026	334,955,000	50,696,922	385,651,922
2027-2031	69,315,000	6,480,356	75,795,356
2032-2036	2,740,000	61,650	2,801,650
Less:			
Deferral on Debt Defeasance	(53,064,500)	-	(53,064,500)
Add:			
Unamortized Premium	63,604,241	-	63,604,241
Total	$ 2,689,511,804	$ 1,116,482,088	$ 3,805,993,892

Hampton Roads Sanitation District Commission

The Hampton Roads Sanitation District Commission issued bonds under a Master Trust Indenture and a Trust Agreement dated December 1, 1993, and March 1, 2003. The interest cost for these bonds ranges from 2.5 percent to 4.75 percent. The following schedule details the annual funding requirements necessary to amortize these bonds:

HAMPTON ROADS SANITATION DISTRICT COMMISSION
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2007	$ 11,943,000	$ 3,967,000	$ 15,910,000
2008	9,155,000	4,963,000	14,118,000
2009	10,239,000	4,796,000	15,035,000
2010	10,612,000	4,393,000	15,005,000
2011	11,133,000	3,929,000	15,062,000
2012-2016	61,081,000	12,797,000	73,878,000
2017-2021	18,876,000	4,631,000	23,507,000
2022-2026	9,891,000	1,826,000	11,717,000
2027-2031	1,520,000	77,000	1,597,000
Total	$ 144,450,000	$ 41,379,000	$ 185,829,000

Virginia Equine Center Foundation

The Virginia Equine Center Foundation issued Series 2001 IDA of Rockbridge County Virginia Horse Center Revenue Bonds. Coupon interest rates range from 6.875 percent to 6.9 percent.

VIRGINIA EQUINE CENTER FOUNDATION
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2007	$ 560,000	$ 1,050,162	$ 1,610,162
2008	600,000	1,011,665	1,611,665
2009	640,000	971,414	1,611,414
2010	680,000	928,467	1,608,467
2011	725,000	882,854	1,607,854
2012-2016	12,115,000	5,563,590	17,678,590
Total	$ 15,320,000	$ 10,408,152	$ 25,728,152

The above listed debt of the Virginia Equine Center Foundation is not an obligation of the Commonwealth, and neither the full faith and credit nor taxing power of the Commonwealth is pledged to the payment of this debt.

Virginia Biotechnology Research Park Authority

The Virginia Biotechnology Research Park Authority issued Series 1996, 1998, 1999A, 1999B, and 2001 Commonwealth of Virginia Lease Revenue bonds. Coupon interest rates range from 4.0 percent to 6.4 percent. The Series 1996 Virginia Biotechnology Research Park Authority Lease Revenue Bonds were refinanced with VPBA Series 2005A bonds on March 1, 2005.

VIRGINIA BIOTECHNOLOGY RESEARCH PARK AUTHORITY
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2007	$ 3,130,000	$ 3,160,999	$ 6,290,999
2008	3,280,000	3,014,630	6,294,630
2009	3,440,000	2,862,134	6,302,134
2010	3,610,000	2,698,507	6,308,507
2011	3,795,000	2,525,335	6,320,335
2012-2016	22,095,000	9,289,779	31,384,779
2017-2021	19,925,000	3,754,116	23,679,116
2022-2026	4,635,000	115,875	4,750,875
Add:			
Unamortized Premium	422,304	-	422,304
Total	$ 64,332,304	$ 27,421,375	$ 91,753,679

Total principal outstanding at June 30, 2006, on all Component Unit bonds amounted to $12.0 billion.

The following schedule summarizes the changes in long-term liabilities:

Schedule of Changes in Long-term Debt and Obligations (1) (2)

(Dollars in Thousands)

	Balance July 1, 2005	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30, 2006
Primary Government				
Governmental Activities:				
Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
General Obligation Bonds - 9(b) and 9(c):				
Public Facilities Bonds (3)	$ 520,655	$ 191,661	$ (115,852)	$ 596,464
Parking Facilities Bonds (3)	11,040	394	(1,495)	9,939
Transportation Facilities Bonds (3)	125,337	38,511	(53,753)	110,095
Total General Obligation Bonds	657,032	230,566	(171,100)	716,498
Long-term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Debt:				
Non-General Obligation Bonds - 9(d)				
Transportation Facilities Bonds (3)	1,788,274	400,891	(249,499)	1,939,666
Virginia Public Building Authority Bonds (3)	1,142,070	233,158	(82,977)	1,292,251
Regional Jails Financing Payable	15,030	-	(1,655)	13,375
Industrial Development Authority Obligations	27,100	-	(3,940)	23,160
Economic Development Authority Obligations (3)	-	100,637	(45)	100,592
Installment Purchase Obligations	24,047	36,671	(10,233)	50,485
Notes Payable - Virginia Public Broadcasting Board	15,775	-	(2,290)	13,485
Notes Payable - Transportation	12,325	-	-	12,325
Notes Payable - Aviation	3,055	-	(287)	2,768
Obligations:				
Compensated Absences	313,896	23,254	(8,351)	328,799
Capital Lease Obligations	133,799	1,245	(8,429)	126,615
Pension Liability	621,969	87,866	-	709,835
Other	18,761	2,465	(3,112)	18,114
Total Long-term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth	4,116,101	886,187	(370,818)	4,631,470
Total Governmental Activities	4,773,133	1,116,753	(541,918)	5,347,968
Business-type Activities:				
Long-term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Debt:				
Non-General Obligation Bonds - 9(d)				
Pocahontas Parkway Association Bonds (3)	463,357	16,880	(480,237)	-
Installment Purchase Obligations	9,709	1,727	(5,469)	5,967
Obligations:				
Compensated Absences	7,859	4,012	(3,609)	8,262
Pension Liability	12,990	1,484	-	14,474
Lottery Prizes Payable	375,041	6,605	(35,010)	346,636
Tuition Benefits Payable	1,430,383	236,623	(49,489)	1,617,517
Total Business-type Activities	2,299,339	267,331	(573,814)	1,992,856
Total Primary Government	$ 7,072,472	$ 1,384,084	$ (1,115,732)	$ 7,340,824
Component Units				
Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
General Obligation Bonds - Higher Education 9(c) (3)	$ 296,963	$ 63,726	$ (34,720)	$ 325,969
Long-term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Debt:				
Bonds (3)	10,188,627	2,035,622	(890,756)	11,333,493
Installment Purchase Obligations (5)	97,219	63,517	(22,948)	137,788
Capital Lease Obligations	46,272	17,611	(4,351)	59,532
Notes Payable (6)	1,127,760	258,310	(477,676)	908,394
Obligations:				
Compensated Absences	187,489	142,149	(130,511)	199,127
Pension Liability	238,463	22,534	(1,258)	259,739
Trust and Annuity Obligations	31	-	-	31
Other	368,889	198,345	(282,912)	284,322
Total Component Units	$ 12,551,713	$ 2,801,814	$ (1,845,132)	$ 13,508,395

Foundations (4)	Balance June 30, 2006	Due Within One Year
$ -	$ 596,464	$ 47,530
-	9,939	1,070
-	110,095	15,694
-	716,498	64,294
-	1,939,666	153,355
-	1,292,251	88,135
-	13,375	1,682
-	23,160	4,150
-	100,592	-
-	50,485	6,722
-	13,485	2,415
-	12,325	-
-	2,768	286
-	328,799	201,406
-	126,615	9,503
-	709,835	-
-	18,114	2,534
-	4,631,470	470,188
-	5,347,968	534,482
-	-	-
-	5,967	3,087
-	8,262	4,065
-	14,474	-
-	346,636	58,528
-	1,617,517	64,300
-	1,992,856	129,980
$ -	$ 7,340,824	$ 664,462
$ -	$ 325,969	$ 29,781
373,571	11,707,064	750,361
227	138,015	22,578
232	59,764	4,943
207,295	1,115,689	123,606
3,832	202,959	121,590
27,815	287,554	-
91,035	91,066	2,690
34,843	319,165	43,837
$ 738,850	$ 14,247,245	$ 1,099,386

(1) Pursuant to GASB Statement No. 34, governmental activities include Internal Service Funds. Business-type Activities are considered Enterprise Funds.

(2) Payments on bonded debt that pertain to the Commonwealth's governmental activities are made through the debt service funds. Payments for installment purchases, compensated absences, capital leases, pension, and other obligations that pertain to the Commonwealth's governmental activities are made through the general and special revenue funds. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the total for governmental activities. Enterprise funds, or business-type activities, are self-supporting funds. Accordingly, long-term liabilities are paid from each respective fund.

(3) Amounts are net of any unamortized discounts, premiums, and deferrals.

(4) Foundations represent FASB reporting entities defined in Note 1.B.

(5) The beginning balance has been increased from the prior year to reflect reclassifications.

(6) The beginning balance has been decreased from the prior year to reflect reclassifications.

Bond Defeasance

Primary Government

In March 2006, the Commonwealth issued $102,965,000 General Obligation Refunding Bonds, Series 2006A Refunding, pursuant to Sections 9(b) and 9(c) of Article X of the *Constitution of Virginia*, with a true interest cost (TIC) of 3.69 percent to advance refund $107,640,000 of certain outstanding bonds. The bonds that were refunded include $3,520,000 of outstanding Higher Education Institution Refunding Bonds, Series 1996, $1,325,000 of Higher Education Institution Bonds, Series 1996, $4,980,000 of outstanding Public Facilities Bonds, Series 1996, $60,100,000 of outstanding Public Facilities Bonds, Series 1996, $4,560,000 of outstanding Transportation Refunding Bonds, Series 1996, $32,805,000 of outstanding Transportation Refunding bonds, Series 1996 and $350,000 of outstanding Parking Facilities Bonds, Series 1996. The net proceeds from the sale of the Refunding Bonds of $109,311,377 (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the refunded bonds. The debt defeasance will reduce total debt service payments over the next 16 years by $10,585,391 resulting in an economic gain of $8,597,983 discounted at the rate of 3.708 percent.

On May 11, 2006, the Commonwealth Transportation Board issued $23,160,000 in Transportation Revenue Refunding Bonds Series 2006A, $20,020,000 in Transportation Revenue Refunding Bonds Series 2006B and $63,460,000 in Transportation Revenue Refunding Bonds Series 2006C with a true interest cost (TIC) of 4.56 percent. The bonds that were refunded with the Series 2006A Transportation Refunding Bonds were $23,830,000 of outstanding Transportation Revenue Bonds, Series 1997A. The bonds that were refunded with the Series 2006B Transportation Refunding Bonds include $4,460,000 of outstanding Transportation Revenue Bonds, Series 1999A, $7,710,000 of outstanding Transportation Revenue Bonds, Series 2001A, and $7,810,000 of outstanding Transportation Revenue Bonds, Series 2002A. The bonds that were refunded with the Series 2006C Transportation Refunding Bonds include $27,430,000 of outstanding Transportation Revenue Bonds, Series 1999B, and $36,660,000 of outstanding Transportation Revenue Bonds, Series 2001B. The net proceeds from the sale of the refunding portion of the bonds of $111,230,819 (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the Refunded Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by $3,330,819. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt or the new debt, whichever is shorter. Total debt service payments over the next 20 years will be reduced by $6,019,308 resulting in an economic gain of $4,075,365 discounted at a rate of 4.35 percent.

Component Units

In July 2005, the University of Virginia issued $193,355,000 of Series 2005 General Revenue Pledge bonds with a true interest cost of 3.85 percent. The proceeds of the General Revenue Pledge bonds were used partly to refund $61,775,000 of Series 1998A General Revenue Pledge bonds, partly to finance all or a portion of the costs incurred in connection with the construction of new and renovation of existing University facilities, and partly for the prepayment of $84,963,000 of the outstanding principal amount of the University's Series 2003A and Series 2003B commercial paper notes. Total debt service payments over the next 18 years will be reduced by $4,395,470.24 resulting in a present value savings of $3,262,828.65 discounted at a rate of 4.01 percent. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities,* the difference between the reacquisition price and the net carrying amount of the bonds defeased with refunding debt is amortized as a component of interest on bonds over the remaining life of the refunded debt.

GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2006, there were $626.9 million in bonds from the Primary Government that have been refunded and defeased in-substance from the governmental activities column by placing existing assets and the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments. In addition, there were $894.1 million in bonds outstanding considered defeased from the Component Units.

Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986 calculate and rebate arbitrage earnings to the Federal government. The U.S. Treasury has issued regulations on calculating the rebate amount and complying with the provisions of the Tax Reform Act of 1986. Governmental issuers must comply with the rebate regulations in order for their bonds to maintain tax-exempt status. The regulations require the excess of the aggregate amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, to be rebated to the Federal government. Income earned on excess earnings is also subject to rebate. Rebate liability, if any, must be paid every five years over the life of the bonds. Some bonds may be exempt from the rebate requirements if they qualify for certain regulatory exceptions. Governmental issuers may elect to pay a penalty in lieu of rebate. If the issuer meets one of the exceptions, the issuer retains any arbitrage earnings. Rebate and penalty payments are calculated and paid as required by law on bond issues that do not qualify for an exception.

Amounts remitted to the Federal government for rebate liability are generally paid from earnings derived from the issue. However, if all proceeds (including earnings)

have been expended and depending on the type of issue, it may be necessary to use project revenues or general or non-general fund appropriations to satisfy any rebate liability.

Rebate liability on bonds of the Virginia Public School Authority (Major Component Unit) is payable from earnings on related bond funds and from local issuers whose local school bonds were purchased by the VPSA. During the year, $164,701 was paid to the Federal government for rebate on various VPSA School Financing Bonds.

Capital Leases

The Commonwealth leases buildings and equipment under various agreements that are accounted for as capital leases. The lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

Gross minimum lease payments, together with the present value of the net minimum lease payments as of June 30, 2006, are shown in the following table (dollars in thousands). There were no capital lease amounts associated with business-type activities.

	Governmental Activities	Component Units (1)
2007	$ 18,414	$ 7,344
2008	17,420	8,102
2009	16,503	7,756
2010	16,131	7,676
2011	15,829	6,990
2012-2016	71,800	25,315
2017-2021	29,407	9,447
2022-2026	4,751	4,710
2027-2031	-	4,784
2032-2036	-	966
Total Gross Minimum Lease Payments	190,255	83,090
Less: Amount Representing Executory Costs	9,495	7,628
Net Minimum Lease Payments	180,760	75,462
Less: Amount Representing Interest	54,145	15,930
Present Value of Net Minimum Lease Payments	$ 126,615	$ 59,532

Note (1): The above amounts exclude capital lease obligations of Foundations.

	Foundations (2)
2007	$ 110
2008	54
2009	50
2010	18
2011	-
Thereafter	-
Net Minimum Lease Payments	232
Less: Amount Representing Interest	-
Present Value of Net Minimum Lease Payments	$ 232

Note (2): Foundations represent FASB reporting entities defined in Note 1.B.

At June 30, 2006, assets purchased under capital leases were included in depreciable capital assets as follows (dollars in thousands). The amounts are net of accumulated depreciation where applicable. For a portion of these assets, ownership will pass to the Commonwealth at the end of the lease term.

	Buildings	Equipment	Total
Governmental Activities:			
Gross Capital Assets	$ 176,607	$ 592	$ 177,199
Less: Accumulated Depreciation	44,821	255	45,076
Total Governmental Activities	$ 131,786	$ 337	$ 132,123
Component Units:			
Gross Capital Assets	$ 66,706	$ 33,296	$ 100,002
Less: Accumulated Depreciation	10,025	15,762	25,787
Subtotal (excluding Foundations)	56,681	17,534	74,215
Foundations:			
Gross Capital Assets	-	545	545
Less: Accumulated Depreciation	-	226	226
Subtotal Foundations	-	319	319
Total Component Units	$ 56,681	$ 17,853	$ 74,534
Total Capital Lease Assets	$ 188,467	$ 18,190	$ 206,657

Notes Payable

Notes Payable consist of several items as shown in the following schedule (dollars shown in thousands):

Primary Government		
Transportation Note	$	12,325
Virginia Public Broadcasting Board Note		13,485
Aviation Note		2,768
Installment Notes		56,452
Total Primary Government		85,030
Component Units		
Virginia Public School Authority		170,385
Virginia Housing Development Authority		7,220
University of Virginia		68,598
Virginia Polytechnic Institute and State University		100,800
Virginia Commonwealth University		130,150
Nonmajor Component Units		431,241
Installment Notes		137,788
Subtotal (excluding Foundations)		1,046,182
Foundations:		
Notes Payable		207,295
Installment Notes		227
Subtotal - Foundations		207,522
Total Component Units		1,253,704
Total Notes Payable	$	1,338,734

The Transportation (Primary Government) Note listed above represents an interest free note payable to Fairfax County, Virginia, of $4,325,000 which was issued pursuant to the State Revenue Bond Act, Article 5, Title 33.1, *Code of Virginia* to pay for the acquisition and construction of the Omer L. Hirst - Adelard L. Brault Expressway. This note is to be repaid on December 1, 2008. Additionally, the Virginia Department of Transportation (Primary Government) entered into an interest free note payable to Chesterfield County, Virginia, of $8,000,000 for the repayment of the Powhite Parkway Extension Toll Road from surplus net revenues of the project prior to the retirement of all the bonds issued.

The Virginia Public Broadcasting Board (Primary Government) Note listed above represents a loan agreement entered into with the Harrisonburg Industrial Development Authority for $23,840,000. The purpose of the loan was to grant funds to Virginia's public television stations to assist with the cost of conversion to the Federal Communication Commission's new digital standard. The agreement was entered into February 27, 2001, and has a variable rate of interest. The General Assembly authorized these grants in Chapter 1073 of the 2000 Appropriation Act.

The Aviation Note listed above represents a loan agreement with the Virginia Resources Authority in the amount of $6,600,000. The purpose of the loan was to finance and refinance grants-in-aid made to The Peninsula Airport Commission to provide funding for capital improvements at the Newport News/Williamsburg International Airport. The principal amount shall be paid semi-annually with the final payment due in 2017.

The Virginia Public School Authority (Major Component Unit) notes of $170,385,000 are for the School Equipment Financing Notes Educational Technology program. The note proceeds were used to make grants to school divisions for the purchase of educational technology equipment. The notes will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund (Major Special Revenue Fund).

The Virginia Housing Development Authority (Major Component Unit) notes of $7,220,000 are for the Federal Home Loan Bank program. The proceeds along with bond proceeds are used to make mortgage loans.

An additional amount of $730,789,000 is comprised primarily of Higher Education (Component Unit) promissory notes with the Virginia College Building Authority (Nonmajor Component Unit) to finance the construction of various higher education facilities. The principal amount net of unamortized accruals is $722,480,978. Interest rates range from 2.5 percent to 5.7 percent and shall be paid semi-annually. The final principal payment is due in 2035. The Virginia Equine Center (Nonmajor Component Unit) has a note payable in the amount of $24,000 for a Chevrolet Tahoe to be used as a company car. The interest rate is 1.9 percent and the note is due in 2009. The Virginia Biotechnology Research Park Authority has a note payable in the amount of $436,600 used to purchase two pieces of land.

The Higher Education Institutions (Component Units) also have notes payable. The University of Virginia (Major Component Unit) has notes payable of $2,026,216 which are three to five year notes for equipment and other working capital expenses at an interest rate of 3.0 percent to 6.0 percent. The College of William and Mary (Nonmajor Component Unit) has notes payable of $3,453,976 with SunTrust Bank to partially finance the multi-year implementation of a new administrative and financial system. This first note matures in 2008 and has an interest rate of 5.82 percent. The second note has an interest rate of 3.75 percent and matures in 2011. Virginia State University (Nonmajor Component Unit) has a note payable of $2,270,685, which is the result of a loan agreement with the U.S. Department of Housing and Urban Development to repair seven dormitories. The loan is to be repaid over 30 years at 3.0 percent interest per annum, and is secured by a lien on the net revenues from the ownership, operation, and use of the seven dormitories under repair. Norfolk State University (Nonmajor Component Unit) has a note payable of $95,781, which is the result of an agreement with the City of Norfolk to purchase the Brambleton Center. The loan is payable in six full scholarships each year varying from $4,593 to $13,308 with the final amount due in 2019

Various Foundations (Component Units) have notes outstanding as of year-end. The purpose of a majority of these notes is for property acquisition, working capital, and refinancing. Most of these notes are with banks. Future principal payments as of June 30, 2006, are shown in the following table (dollars in thousands).

Foundations' Notes Payable (Component Units) (1)
June 30, 2006

Maturity	Principal
2007	$ 30,010
2008	25,861
2009	25,211
2010	15,003
2011	13,695
Thereafter	97,515
Total	$ 207,295

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.

Installment purchase obligations have been entered into by agencies and institutions of the Commonwealth. These agreements, other than those in the component units and certain institutions of higher education, contain nonappropriation clauses indicating that continuation of the installment purchase obligations is subject to funding by the General Assembly. Installment purchase obligations represent $194,240,009 of the total outstanding debt of the Commonwealth. The Foundations (Component Units) had installment purchase obligations totaling $227,038 as of year-end. Presented in the following tables are repayment schedules for installment purchase obligations.

Installment Purchase Obligations - Governmental Funds
June 30, 2006

Maturity	Principal	Interest	Total
2007	$ 6,720,663	$ 1,463,609	$ 8,184,272
2008	4,062,858	2,293,536	6,356,394
2009	4,795,184	1,617,035	6,412,219
2010	4,935,825	1,276,442	6,212,267
2011	3,785,730	1,096,003	4,881,733
2012-2016	9,496,761	3,050,942	12,547,703
2017-2021	8,493,870	1,369,513	9,863,383
2022-2026	2,834,280	333,805	3,168,085
2027-2031	601,317	227,778	829,095
2032-2036	648,221	202,222	850,443
2037-2041	705,166	174,673	879,839
2042-2046	752,963	144,703	897,666
2047-2051	2,651,813	230,726	2,882,539
Total	$ 50,484,651	$ 13,480,987	$ 63,965,638

Installment Purchase Obligations - Business-type Activities
June 30, 2006

Maturity	Principal	Interest	Total
2007	$ 3,087,566	$ 144,077	$ 3,231,643
2008	1,053,513	78,285	1,131,798
2009	862,006	47,410	909,416
2010	776,891	20,579	797,470
2011	186,944	1,963	188,907
Total	$ 5,966,920	$ 292,314	$ 6,259,234

Installment Purchase Obligations - Component Units (1)
June 30, 2006

Maturity	Principal	Interest	Total
2007	$ 22,473,573	$ 4,852,848	$ 27,326,421
2008	21,679,878	4,159,736	25,839,614
2009	17,406,737	3,940,370	21,347,107
2010	16,877,958	4,218,257	21,096,215
2011	7,808,879	2,286,818	10,095,697
2012-2016	33,757,038	7,118,825	40,875,863
2017-2021	17,378,976	1,933,402	19,312,378
2022-2026	405,399	25,906	431,305
Total	$ 137,788,438	$ 28,536,162	$ 166,324,600

Note (1): The above amounts exclude capital lease obligations of Foundations.

Installment Purchase Obligations - Foundations (2)
June 30, 2006

Maturity	*Principal*
2007	$ 103,986
2008	102,668
2009	20,384
2010	-
Thereafter	-
Total	$ 227,038

Note (2): Foundations represent FASB reporting entities defined in Note 1.B.

Lottery Prizes Payable

Lottery prizes are paid in 20, 25, 26, or 30 installments. The first installment is paid on the day the prize is claimed. The subsequent annual payments are funded with U.S. Treasury STRIPS purchased by the Virginia Lottery. For Life prizes payable represent estimated prizes payable monthly, quarterly or annually for the life of the winner based on life expectancy tables from the Virginia Bureau of Insurance, and funded with a pool of U.S. Treasury STRIPS.

Lottery prizes payable represent the future annual prize payments valued at cost plus accrued interest (present value of securities held to maturity) of the investment securities funding the payments.

Lottery prizes payable for the fiscal year ended June 30, 2006, are shown in the following table:

	Lottery	For Life	Total
Due within one year	$ 56,433,040	$ 2,095,244	$ 58,528,284
Due in subsequent years	260,129,623	27,978,535	288,108,158
Total (present value)	316,562,663	30,073,779	346,636,442
Add: Interest to Maturity	100,037,337	26,984,221	127,021,558
Lottery Prizes Payable at Maturity	$ 416,600,000	$ 57,058,000	$ 473,658,000

Tuition Benefits Payable

The Virginia College Savings Plan administers the Virginia Prepaid Education Program (VPEP). VPEP offers contracts which, for actuarially determined amounts, provide for guaranteed full future tuition payments at State higher education institutions. The contract provisions also allow the benefits to be used for private or out-of-state institutions at a prorated amount based upon the amounts charged by the State's higher education institutions.

At June 30, 2006, tuition benefits payable of $1.6 billion have been recorded for the VPEP program on the balance sheet for the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the VPEP program. In addition, a receivable in the amount of $308.8 million has been recorded to reflect the actuarially determined present value of future payments anticipated from contract holders.

23. OTHER REVENUE

The following table (dollars in thousands) summarizes Other Revenue for the fiscal year ended June 30, 2006.

	Assessments and Receipts for Support of Special Services	Fines, Forfeitures, Court Fees, Penalties, and Escheats	Receipts from Cities Counties, and Towns	Private Gifts, Grants, and Contracts	Sales of Property
Primary Government:					
General	$ 318	$ 140,486	$ 9,999	$ -	$ 5,031
Major Special Revenue Funds:					
Commonwealth Transportation	19,022	9,408	74,649	5,952	3,359
Federal Trust	-	40	-	-	376
Literary	-	61,697	-	-	-
Nonmajor Governmental Funds	83,738	54,950	68,177	9,385	23,263
Nonmajor Enterprise Funds	-	12,592	-	-	-
Private Purpose	-	-	-	-	-
Pension and Other Employee Benefit Trust	-	-	-	-	-
Total Primary Government	$ 103,078	$ 279,173	$ 152,825	$ 15,337	$ 32,029

	Tobacco Master Settlement	Taxes	Other (1)	Smart Tag Revenue	Total Other Revenue (2)
Primary Government:					
General	$ 47,852	$ -	$ 77,110	$ -	$ 280,796
Major Special Revenue Funds:					
Commonwealth Transportation	-	-	48,410	9,723	170,523
Federal Trust	-	-	97,560	-	97,976
Literary	-	-	84,996	-	146,693
Nonmajor Governmental Funds	-	-	112,787	-	352,300
Nonmajor Enterprise Funds	-	12,159	1,853	-	26,604
Private Purpose	-	-	10	-	10
Pension and Other Employee Benefit Trust	-	-	185	-	185
Total Primary Government	$ 47,852	$ 12,159	$ 422,911	$ 9,723	$ 1,075,087

Note (1): $15,638 (dollars in thousands) of the $48,410 (dollars in thousands) Other Revenue recorded for Commonwealth Transportation Fund is for the sale of the Pocahontas Parkway, a one-time transaction.

Note (2): $85,000 (dollars in thousands) of the total amount recorded for the Literary Fund is related to unclaimed property.

24. PRIZES AND CLAIMS

The following table summarizes Prizes and Claims Expense for the fiscal year ended June 30, 2006.

(Dollars in Thousands)

	Insurance Claims	Lottery Prize Expense	Total Prizes and Claims
Proprietary Funds:			
Major Enterprise Funds:			
State Lottery	$ -	$ 759,518	$ 759,518
Unemployment Compensation	338,624	-	338,624
Nonmajor Enterprise Funds	157,179	-	157,179
Total Enterprise Funds	$ 495,803	$ 759,518	$ 1,255,321
Internal Service Funds	$ 800,026	$ -	$ 800,026

25. DEPRECIATION AND AMORTIZATION

The following table summarizes Depreciation and Amortization Expense for the fiscal year ended June 30, 2006.

(Dollars in Thousands)

	Depreciation	Amortization	Total Depreciation and Amortization
Proprietary Funds:			
Major Enterprise Funds:			
State Lottery	$ 4,814	$ -	$ 4,814
Virginia College Savings Plan	52	-	52
Nonmajor Enterprise Funds	14,815	489	15,304
Total Enterprise Funds	$ 19,681	$ 489	$ 20,170
Internal Service Funds	$ 22,162	$ -	$ 22,162

26. OTHER EXPENSES

The following table summarizes Other Expenses for the fiscal year ended June 30, 2006.

(Dollars in Thousands)

	Grants and Distributions to Localities	Expendable Equipment/ Improvements	Other (2)	Total Other Expenses (1)
Proprietary Funds:				
Major Enterprise Funds:				
Virginia College Savings Plan	$ -	$ 71	$ -	$ 71
Nonmajor Enterprise Funds	62	1,860	345	2,267
Total Enterprise Funds	$ 62	$ 1,931	$ 345	$ 2,338
Internal Service Funds	$ 1,337	$ 31,759	$ 14,638	$ 47,734
Private Purpose	$ -	$ -	$ 1,015	$ 1,015
Pension and Other Employee Benefit Trust	-	-	492	492
	$ 1,399	$ 33,690	$ 16,490	$ 51,579

Note (1): Fiduciary expenses of $1,507 (dollars in thousands) are not included in the Government-wide Statement of Activities.
Note (2): $5,640 (dollars in thousands) relates to the purchase of a lease hold interest in the Property Management Internal Service Fund. Additionally, $8,558 (dollars in thousands) can be attributed to expenses related to closing cases in the Risk Management Internal Service Fund.

27. OTHER NON-OPERATING REVENUE/EXPENSES

The following table summarizes Other Non-Operating Revenue/Expenses for the fiscal year ended June 30, 2006.

(Dollars in Thousands)

	Gain (Loss) on Sale of Capital Assets	Expenses for Securities Lending Transactions	Other (1)	Total Other Non-Operating Revenue/ Expenses
Proprietary Funds:				
Major Enterprise Funds:				
State Lottery	$ -	$ (2,029)	$ 507	$ (1,522)
Virginia College Savings Plan	-	(325)	-	(325)
Nonmajor Enterprise Funds	(31)	(1,127)	730	(428)
Total Enterprise Funds	$ (31)	$ (3,481)	$ 1,237	$ (2,275)
Internal Service Funds	$ (262)	$ (1,798)	$ 4,788	$ 2,728

Note (1): $4,588 (dollars in thousands) is related to revenues associated with asset transfers in the Virginia Information Technologies Agency Internal Service Fund.

28. TRANSFERS

The following table summarizes Transfers In and Transfers Out for the fiscal year ended June 30, 2006 (dollars in thousands).

	Transfers In (Reported In):				
Transfers Out (Reported In):	**General**	**Commonwealth Transportation**	**Federal Trust**	**Literary Fund**	**Nonmajor Governmental Funds**
Primary Government					
General	$ -	$ 206,027	$ -	$ -	$ 442,670
Major Special Revenue Funds:					
Commonwealth Transportation	44,862	-	246	-	255,300
Federal Trust	336	4,164	-	-	1,873
Nonmajor Governmental Funds	42,881	1,431	3,094	-	5,382
Major Enterprise Funds:					
State Lottery	454,932	-	-	14,033	-
Virginia College Savings Plan	141	-	-	-	-
Unemployment Compensation	-	-	5,500	-	-
Nonmajor Enterprise Funds	105,144	-	-	16	1,005
Internal Service Funds	656	-	-	-	1,000
Total Primary Government	$ 648,952	$ 211,622	$ 8,840	$ 14,049	$ 707,230

Transfers are used to (1) move revenues from the fund that the *Code of Virginia* or budget requires to collect them to the fund that the *Code of Virginia* or budget requires to expend them; (2) move receipts restricted for debt service from the funds holding the resources to the debt service fund as principal and interest payments become due; (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and (4) to reimburse the General Fund for expenses incurred on behalf of nongeneral funds.

During the fiscal year, the following significant transfers were made that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer.

- Various non-general funds transferred approximately $22.3 million to the General Fund as required by Chapter 2, 2006 Acts of Assembly.
- The Department of Motor Vehicles transferred certain fees of approximately $10.2 million to the General Fund as required by Chapter 2, 2006 Acts of Assembly.
- Various non-general funds transferred approximately $9.7 million to the General Fund resulting from reduced retirement and post-employment benefit contribution disbursements appropriated by Chapter 2, 2006 Acts of Assembly.

Nonmajor Enterprise Funds	Internal Service Funds	Total Primary Government
$ -	$ 5,272	$ 653,969
-	283	300,691
34	265	6,672
25	3	52,816
-	-	468,965
-	-	141
-	-	5,500
-	-	106,165
-	-	1,656
$ 59	$ 5,823	$ 1,596,575

29. SPECIAL ITEMS

Pocahontas Parkway Association (Primary Government)

Special items are significant transactions or other events that are either unusual in nature or infrequent in occurrence and within management's control. During the fiscal year, Transurban (895) LLC (Transurban) purchased the assets of the Pocahontas Parkway Association (the Association), primarily the rights and obligations to manage, operate, maintain and collect tolls on the Pocahontas Parkway (Route 895, Richmond region), for a period of 99 years. Transurban paid an amount sufficient to defease all outstanding debts. The transaction generated a gain of $164.2 million that had the effect of reducing the accumulated net asset deficit to zero. As a result of this transaction, the Association will be dissolved during fiscal year 2007.

Small Business Financing Authority (Component Unit)

The General Assembly authorized the transfer of assets from the Small Business Financing Authority (Authority) to the Virginia Community Capital bank. This asset transfer was intended to be a targeted source of lending and investment to facilitate economic growth to distressed communities within the Commonwealth. They transferred the asset in November 2005.

30. ON-BEHALF PAYMENTS

Higher Education Institutions (Component Units) recognized various foundation and association on-behalf payments for fringe benefits and salaries during fiscal year 2006 totaling $1,116,591. This activity was recorded as Program Revenue – Operating Grants and Contributions in the amount of $1,077,841; and Program Revenue – Charges for Services in the amount of $38,750, with corresponding expenditures.

31. ENDOWMENTS

Donor restricted endowments reside primarily within the higher education institutions. The net appreciation available for expenditure is $827,156,746, and of this amount, $825,109,615 is reported as restricted net assets and $2,047,131 is reported as unrestricted net assets. The *Code of Virginia* authorizes acceptance of donations. The governing boards of these entities and the donor agreements determine whether net appreciation can be spent and the accepted spending rate. These policies are entity specific and vary with each institution.

32. CASH FLOWS – ADDITIONAL DETAILED INFORMATION

The following table (dollars in thousands) summarizes specific cash flows for the fiscal year ended June 30, 2006.

Cash Flows Resulting from:	State Lottery	Virginia College Savings Plan	Unemployment Compensation
Payments for Prizes, Claims, and Loss Control:			
Lottery Prizes	$ (813,385)	$ -	$ -
Claims and Loss Control	-	-	(335,098)
Total	$ (813,385)	$ -	$ (335,098)
Other Operating Revenues:			
Other Operating Revenue	$ -	$ -	$ -
Total	$ -	$ -	$ -
Other Operating Expenses:			
Payments for Contractual Services	$ (34,678)	$ (3,640)	$ -
Other Operating Expenses (1)	-	-	-
Total	$ (34,678)	$ (3,640)	$ -
Other Noncapital Financing Receipt Activities:			
Advances/Contributions from the Commonwealth	$ 8,000	$ -	$ -
Receipts from Taxes	-	-	-
Other Noncapital Financing Receipt Activities	1,034	-	-
Total	$ 9,034	$ -	$ -
Other Noncapital Financing Disbursement Activities:			
Repayments of Advances/Contributions from the Commonwealth	$ (15,000)	$ -	$ -
Other Noncapital Financing Disbursement Activities	-	-	-
Total	$ (15,000)	$ -	$ -
Other Capital and Related Financing Receipt Activities:			
Other Capital and Related Financing Receipt Activities	$ -	$ -	$ -
Total	$ -	$ -	$ -
Other Capital and Related Financing Disbursments for Capital Expenditures	$ -	$ -	$ -
Total	$ -	$ -	$ -

Note (1): $8,558 (dollars in thousands) can be attributed to disbursements related to closing cases in the Risk Management Internal Service Fund.

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
$ -	$ (813,385)	$ -
(154,497)	(489,595)	(772,205)
$ (154,497)	$ (1,302,980)	$ (772,205)
$ 4,755	$ 4,755	$ 2
$ 4,755	$ 4,755	$ 2
$ (40,330)	$ (78,648)	$ (158,023)
(35)	(35)	(9,297)
$ (40,365)	$ (78,683)	$ (167,320)
$ 39,090	$ 47,090	$ 5,640
133,758	133,758	-
1,156	2,190	165
$ 174,004	$ 183,038	$ 5,805
$ (31,765)	$ (46,765)	$ -
(8,282)	(8,282)	-
$ (40,047)	$ (55,047)	$ -
$ 336	$ 336	$ 298
$ 336	$ 336	$ 298
$ -	$ -	$ (632)
$ -	$ -	$ (632)

33. TOBACCO SETTLEMENT AND SECURITIZATION

On November 23, 1998, 46 states' Attorneys General and the major tobacco companies signed a proposed settlement that reimburses states for smoking-related medical expenses paid through Medicaid and other health care programs. Virginia could receive approximately $4.1 billion over the next 25 years. The settlement was approved in a Consent Decree in December 1998. On March 29, 1999, the General Assembly enacted a law approving the establishment of the Virginia Tobacco Indemnification and Community Revitalization Commission (Commission), in compliance with the Consent Decree, to help communities in Virginia hurt by the decline of tobacco.

The Commission was established for the purposes of determining the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund. The monies are to be used to provide payments to tobacco farmers as compensation for the tobacco equipment and barns and lost tobacco production opportunities associated with a decline in quota. The monies are also to be used to revitalize tobacco dependent communities.

The General Assembly also created The Virginia Tobacco Settlement Foundation (Foundation). The purpose of the Foundation is to determine the appropriate recipients of monies in the Virginia Tobacco Settlement Fund. The Foundation will also be responsible for distributing monies for the purposes provided in the legislation. Disbursements can be made to assist in financing efforts to restrict the use of tobacco products by minors, through educational and awareness programs describing the health effects of tobacco use on minors, and laws restricting the distribution of tobacco products to minors. The Virginia Tobacco Indemnification and Community Revitalization Commission and the Virginia Tobacco Settlement Foundation are included in the Comprehensive Annual Financial Report as governmental component units.

Additionally, the General Assembly created two special non-reverting funds. The Tobacco Settlement monies will be deposited to these funds and the General Fund. Fifty percent of the Settlement monies will be deposited into the Tobacco Indemnification and Community Revitalization Fund. Ten percent of the Settlement monies will be deposited into the Virginia Tobacco Settlement Fund. The remaining 40 percent will be deposited to the General Fund.

In May 2005, pursuant to a Purchase and Sale Agreement with the Commonwealth, acting as an agent on behalf of the Tobacco Indemnification and Community Revitalization Commission (Commission), the Commonwealth sold to the Tobacco Settlement Financing Corporation (Corporation) 25 percent of its future right, title and interest in the Tobacco Settlement Revenues (TSRs). Specifically, these rights include half of the 50 percent share of the TSRs received by the Commission starting May 15, 2005, and in perpetuity under the Master Settlement Agreement.

Consideration paid by the Corporation to the Commission for TSRs consisted of a cash amount deposited into an endowment to fund the long-term spending plan approved by the Commission. The bonds of the Corporation are asset-backed instruments secured solely by the TSRs, and the Corporation's right to receive TSRs is expected to produce funding for its obligations.

The Commission is a discrete component unit of the Commonwealth and the Corporation is disclosed as a related organization.

34. PUBLIC-PRIVATE PARTNERSHIP

The Department of Taxation (Department) entered into a partnership agreement with CGI AMS (formerly the American Management Systems, Inc. or AMS) in July 1998. The result of this contract is that CGI AMS and Department staff have created a dynamic environment that has made it easier for taxpayers to understand and comply with Virginia's tax requirements. A unique feature of the partnership is that the contract costs are limited to additional revenue benefits realized by the Department from enhancements developed through the partnership. As of June 30, 2004, sufficient revenue benefits were generated to fully fund the total contract cost. As of June 30, 2006, the Department has paid CGI AMS $167.0 million towards the $170.7 million contract cost.

35. CONTINGENCIES

A. Grants and Contracts

The Commonwealth has received Federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable Federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a Federal audit may become a liability of the Commonwealth.

Institutions of higher education (Component Units) and other State agencies are required to comply with various Federal regulations issued by the Office of Management and Budget, if such agencies are recipients of Federal grants, contracts, or other sponsored agreements. Failure to comply with certain requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the Commonwealth.

The U.S. Department of Health and Human Services (DHHS) Office of the Inspector General conducted a review and indicated that the Commonwealth's Statewide Indirect Cost Allocation Plan rates have allowed over-recoveries in the Internal Service Funds. The U.S. DHHS has reviewed and approved the 2007 cost allocation plan, which is based on state fiscal year 2005 data.

The Commonwealth believes this liability has the potential to total $1,020,519 as of June 30, 2006.

Virginia's combined overpayment and underpayment food stamp error rate for federal fiscal year 2005 was 5.79 percent. The national average combined error rate was 5.84 percent. There is a two year liability system in place, which was effective with Federal fiscal year 2003. Under this system, a liability amount is established when, for the second or subsequent consecutive fiscal year, USDA determines that there is a 95 percent statistical probability that a State's payment error rate exceeds 105 percent of the national performance measure. Virginia fell within this tolerance level for 2005 and therefore 2005 does not count as a first year of potential liability for our state. However, as of June 30, 2006, there is an outstanding liability of $634,033. This liability resulted from a USDA review of reinvestment expenditures made in accordance with reinvestment agreements for federal fiscal years 1994-1996. The Department of Social Services (DSS) has submitted a plan to reinvest in the Food Stamp program and is awaiting USDA's approval.

B. Litigation

The Commonwealth is named as a party in legal proceedings and investigations that occur in the normal course of governmental operations, some involving substantial amounts. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the Commonwealth in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits or investigations will not have a material, adverse effect on the financial condition of the Commonwealth.

The Department of Alcoholic Beverage Control (ABC) is named as a party in several legal proceedings. It is not possible at the present time to estimate ultimate outcome or liability, if any, of ABC in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits will not have a material, adverse effect on the financial condition of ABC.

C. Subject to Appropriation

Both the primary government and the discretely presented component units enter into agreements and issue debt secured solely by future appropriations from the General Fund of the Commonwealth. The primary government has leases and other agreements of such debt of $1.5 billion. The discretely presented component units have such debt of $694.4 million.

D. Bailment Inventory

The Department of Alcoholic Beverage Control (ABC) houses and controls bailment inventory in the warehouse and is therefore responsible for the exercise of reasonable care to preserve the inventory until it is purchased by ABC or returned to the supplier. ABC uses the bailment system for payment of merchandise for resale. ABC initiates payments to the vendors based on shipments from the ABC warehouse to the retail stores, rather than receipt of invoice from the vendor. At June 30, 2006, the bailment inventory was valued at $32,736,294.

E. Pocahontas Parkway

On June 29, 2006, Transurban (895) LLC (Transurban) purchased the assets of the Pocahontas Parkway Association (the Association), primarily the rights and obligations to manage, operate, maintain and collect tolls on the Pocahontas Parkway (Route 895, Richmond region), for a period of 99 years.

The Amended and Restated Comprehensive Agreement between Virginia Department of Transportation (VDOT) and Transurban (895) LLC (Transurban) provides that VDOT may terminate the agreement at any time after the 40th anniversary of the agreement date when VDOT determines that such action is in the best interests of the Commonwealth.

If VDOT elects to exercise this right, it must repay to Transurban out-of-pocket and allocable costs incurred by Transurban as a direct result of the termination, plus an amount equal to the greater of (1) the fair market value of Transurban's interests as determined by an independent appraiser, taking into account projected cash flows and costs for the remainder of the agreement's term had it not been terminated, or (2) the sum of Transurban's outstanding debt and interest, any prepayment penalties, and an amount that would cause the project to yield a 10.5 percent rate of return as of the termination date.

36. SUBSEQUENT EVENTS

Primary Government

On July 1, 2006, the Virginia Information Technologies Agency (VITA) entered into an Information Technology (IT) Infrastructure Partnership with Northrop Grumman. Under this public-private partnership, Northrop Grumman assumed responsibility for service delivery of the Commonwealth's IT infrastructure needs under the supervision of VITA. As part of the restructuring, approximately 550 VITA employees transferred employment to Northrop Grumman. VITA will make payments to Northrop Grumman totaling $1.9 billion over the next ten fiscal years.

In August 2006, the Virginia Public Building Authority issued $135,000,000 in Public Facilities Revenue Bonds, Series 2006A to finance or refinance the acquisition, construction, improvement, rehabilitation, furnishing, and equipping of various public facilities for use by the Commonwealth and its agencies or the Commonwealth's share of various regional and local jails and juvenile detention facility projects.

In November 2006, the Commonwealth issued $206,635,000 in General Obligation Bonds, Series 2006B to fund capital projects for educational facilities, parks and recreational facilities of the Commonwealth, and various institutions of higher education.

In November 2006, the Virginia Public Building Authority issued $215,065,000 in Public Facilities Revenue Bonds, Series 2006B finance or refinance the acquisition, construction, improvement, rehabilitation, furnishing, and equipping of various public facilities for use by the Commonwealth and its agencies or the Commonwealth's share of various regional and local jails and juvenile detention facility projects

Component Units

Subsequent to June 30, 2006, and through August 22, 2006, the Virginia Resource Authority closed three loans totaling $6,843,401.

Subsequent to June 30, 2006, the Virginia Biotechnology Research Park Authority will undertake the Biotech Eight project through a joint venture with the Virginia Biotechnology Research Partnership Authority and private development interests as a limited liability corporation. The Biotech Eight LLC will be a for-profit development entity that the Virginia Biotechnology Research Park will have a 40 percent equity interest in. The Research Park will contribute land and cash and will also enter into a management agreement for property management and leasing. The private sector partners will arrange for construction and permanent funding of the project, on the strength of their equity contributions and personal guarantees. The total cost of the project is expected to be in excess of $22 million and the building will be available for occupancy in the second quarter of 2007.

In July 2006, the Virginia Housing Development Authority issued Commonwealth Mortgage Bonds, Series 2006D, 2006E and 2006F totaling $650,000,000.

In July 2006, the Virginia Museum of Fine Arts Foundation's Real Estate Foundation sold land with a carrying amount of approximately $1,300,000 for sales proceeds of $1,300,000.

In September 2006, the Virginia College Building Authority issued $120,000,000 of its Variable Rate Educational Facilities Revenue Bonds, (21st Century and Equipment Programs), Series 2006B and 2006C. The proceeds of the Series 2006B and 2006C Bonds will be used to finance certain capital projects and acquire equipment at public institutions of higher education in the Commonwealth of Virginia.

In October 2006, the Virginia Housing Development Authority redeemed $23,665,000 in Commonwealth Mortgage Bonds.

In October 2006, the Virginia Port Authority issued $90,000,000 of Terminal Revenue Bonds, Series 2006. The proceeds of the bonds will be used to finance certain facilities to be located at Norfolk International Terminals.

In November 2006, the Virginia Public School Authority issued $240,955,000 of School Financing Bonds (1997 Resolution) Series 2006B to purchase certain general obligation local school bonds to finance capital projects for public schools.

In November 2006, the Virginia College Building Authority issued $150,700,000 in Educational Facilities Revenue Bonds (Public Higher Education Financing Program), Series 2006A. These bond proceeds will be used to finance certain capital projects at public institutions of higher education in the Commonwealth of Virginia.

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds

Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenues:				
Taxes:				
Individual and Fiduciary Income	$ 8,334,700	$ 9,170,400	$ 9,308,570	$ 138,170
Sales and Use	3,049,700	3,006,300	3,029,949	23,649
Corporation Income	508,200	851,500	871,554	20,054
Public Service Corporations	88,600	90,600	89,992	(608)
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Premiums of Insurance Companies	413,700	392,500	373,781	(18,719)
Other Taxes	997,300	1,230,500	1,222,590	(7,910)
Rights and Privileges	57,800	62,500	65,212	2,712
Sales of Property and Commodities	100	6,300	7,026	726
Assessments and Receipts for Support of Special Services	400	400	332	(68)
Institutional Revenue	8,600	9,200	8,235	(965)
Interest, Dividends, and Rents	96,985	118,579	142,429	23,850
Fines, Forfeitures, Court Fees, Penalties, and Escheats	199,000	161,600	145,189	(16,411)
Federal Grants and Contracts	-	-	-	-
Receipts from Cities, Counties, and Towns	9,200	9,500	9,999	499
Private Donations, Gifts and Contracts	-	-	-	-
Tobacco Master Settlement	51,100	52,978	47,852	(5,126)
Other	52,468	65,899	81,353	15,454
Total Revenues	13,867,853	15,228,756	15,404,063	175,307
Expenditures:				
Current:				
General Government	1,548,804	1,388,701	1,342,711	45,990
Education	6,752,214	6,858,325	6,767,114	91,211
Transportation	154	44	43	1
Resources and Economic Development	265,057	298,832	280,689	18,143
Individual and Family Services	3,583,553	3,693,804	3,652,319	41,485
Administration of Justice	2,078,445	2,239,874	2,221,646	18,228
Capital Outlay	51,869	143,292	85,952	57,340
Total Expenditures	14,280,096	14,622,872	14,350,474	272,398
Revenues Over (Under) Expenditures	(412,243)	605,884	1,053,589	447,705
Other Financing Sources (Uses):				
Transfers:				
Transfers In	623,909	612,667	651,262	38,595
Transfers Out	(584,102)	(646,516)	(680,173)	(33,657)
Proceeds from Notes Payable	-	-	-	-
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Total Other Financing Sources (Uses)	39,807	(33,849)	(28,911)	4,938
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(372,436)	572,035	1,024,678	452,643
Fund Balance, July 1, as restated	1,865,343	1,865,343	1,865,343	-
Fund Balance, June 30	$ 1,492,907	$ 2,437,378	$ 2,890,021	$ 452,643

See notes on page 155 in this section.

Special Revenue Funds			
Commonwealth Transportation Fund			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
$ -	$ -	$ -	$ -
444,272	460,002	456,464	(3,538)
-	-	-	-
-	-	-	-
904,272	877,664	892,027	14,363
615,991	601,581	593,097	(8,484)
-	-	-	-
13,041	32,816	36,988	4,172
429,163	472,664	502,317	29,653
556	556	8,125	7,569
11,847	18,500	19,025	525
-	-	-	-
9,316	16,658	75,837	59,179
10,304	20,276	9,850	(10,426)
1,161,963	1,096,468	524,847	(571,621)
32,058	57,620	77,021	19,401
-	-	5,952	5,952
-	-	-	-
58,980	23,239	52,392	29,153
3,691,763	3,678,044	3,253,942	(424,102)
21,230	1,766	1,722	44
2,173	2,173	2,173	-
4,180,385	4,874,406	3,144,811	1,729,595
19,602	20,070	14,312	5,758
-	-	-	-
7,292	7,692	7,427	265
44,797	72,616	20,999	51,617
4,275,479	4,978,723	3,191,444	1,787,279
(583,716)	(1,300,679)	62,498	1,363,177
204,933	206,458	237,822	31,364
(112,365)	(382,034)	(300,687)	81,347
-	-	96,515	96,515
250,000	250,000	250,000	-
14,470	14,470	18,592	4,122
357,038	88,894	302,242	213,348
(226,678)	(1,211,785)	364,740	1,576,525
1,396,220	1,396,220	1,396,220	-
$ 1,169,542	$ 184,435	$ 1,760,960	$ 1,576,525

Continued on next page

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds *(Continued from previous page)*

Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Special Revenue Funds			
	Federal Trust			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenues:				
Taxes:				
Individual and Fiduciary Income	$ -	$ -	$ -	$ -
Sales and Use	-	-	-	-
Corporation Income	-	-	-	-
Public Service Corporations	-	-	-	-
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Premiums of Insurance Companies	-	-	-	-
Other Taxes	-	-	-	-
Rights and Privileges	70	40	40	-
Sales of Property and Commodities	176	150	376	226
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	352	236	2,667	2,431
Fines, Forfeitures, Court Fees, Penalties, and Escheats	95	151	43	(108)
Federal Grants and Contracts	4,854,012	5,318,770	5,456,954	138,184
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	-	-	-	-
Tobacco Master Settlement	-	-	-	-
Other	54,609	23,717	81,247	57,530
Total Revenues	4,909,314	5,343,064	5,541,327	198,263
Expenditures:				
Current:				
General Government	48,976	162,601	117,470	45,131
Education	453,118	670,835	651,239	19,596
Transportation	36,412	25,074	13,072	12,002
Resources and Economic Development	219,261	234,431	208,332	26,099
Individual and Family Services	4,081,213	4,151,793	4,486,644	(334,851)
Administration of Justice	50,394	60,734	45,225	15,509
Capital Outlay	19,885	37,577	21,513	16,064
Total Expenditures	4,909,259	5,343,045	5,543,495	(200,450)
Revenues Over (Under) Expenditures	55	19	(2,168)	(2,187)
Other Financing Sources (Uses):				
Transfers:				
Transfers In	-	-	8,840	8,840
Transfers Out	(55)	(19)	(6,672)	(6,653)
Proceeds from Notes Payable	-	-	-	-
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Total Other Financing Sources (Uses)	(55)	(19)	2,168	2,187
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	-	-	-	-
Fund Balance, July 1, as restated	-	-	-	-
Fund Balance, June 30	$ -	$ -	$ -	$ -

See notes on page 155 in this section.

Notes for Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds

1. BASIS OF BUDGETING VS. MODIFIED ACCRUAL BASIS FUND BALANCE (1)

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2006, to the fund balance on a modified accrual basis follows.

Fund Balance Comparison
Budgetary Basis to GAAP Basis
June 30, 2006

(Dollars in Thousands)

	General Fund	Commonwealth Transportation Fund	Federal Trust Fund
Fund Balance, Basis of Budgeting	$ 2,890,021	$ 1,760,960	$ -
Adjustments from Budget to Modified Accrual, Undesignated:			
Accrued Revenues:			
Taxes	748,856	131,431	-
Tax Refunds	(260,028)	-	-
Other Revenue/Other Sources	(11,864)	74,288	373,382
Deferred Taxes (2)	(411,320)	-	-
Medicaid Payable	(172,975)	-	(176,092)
Accrued Expenditures/Other Uses	(647,203)	(135,301)	(147,603)
Fund Balance, Modified Accrual Basis	$ 2,135,487	$ 1,831,378	$ 49,687

1. As discussed in Note 1.E., the Literary Fund has no approved budget.
2. See also Note 1.Q.

2. APPROPRIATIONS

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the General Fund and Major Special Revenue Funds, at June 30, 2006, except the Literary Fund which has no approved budget.

(Dollars in Thousands)	General Fund (9)	Commonwealth Transportation Fund (10)	Federal Trust Fund (11)
Appropriations (1)	$ 14,280,096	$ 4,134,744	$ 4,909,259
Supplemental Appropriations:			
Reappropriations (2)	202,985	47,424	38,981
Subsequent Executive (3)	8,227	914,446	504,781
Subsequent Legislative (4)	512,972	-	(81,364)
Capital Outlay and Operating Reversions (5)	(253)	-	-
Deficit (6)	158,477	-	-
Transfers (7)	(532,237)	244,575	(5,360)
Capital Outlay Adjustment (8)	(7,395)	(25,999)	(23,252)
Appropriations, as adjusted	$ 14,622,872	$ 5,315,190	$ 5,343,045

1. Represents the budget appropriated through Chapter 951, 2005 Acts of Assembly, as amended by Chapter 2, 2006 Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to carry forward any prior year unexpended balances, sum sufficient authority, and year 2 to year 1 reductions (General Fund) and actions taken to appropriate any additional revenues collected so that they can be legally spent (Special Revenue Funds).
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay and operating balances.
6. Represents additional appropriations authorized by the Governor to prevent agencies from incurring deficits. The deficit appropriation is primarily attributable to $134.2 million for a one day early payment of the payroll normally paid on July 1, and charged to the new fiscal year; $17.0 million for additional home heating assistance at the Department of Social Services and the Department of Housing and Community Development; and $7.3 million to address Base Realignment and Closure (BRAC) issues in the City of Virginia Beach.
7. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately $1.5 billion (General Fund) and $1.7 million (Commonwealth Transportation Fund) for transfers to component units and fiduciary funds that have been reclassified as expenditures in accordance with GASB Statement No. 34.
8. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.
9. Prior year reversions of $15,280,643 are included in the accounting system for monitoring, but do not represent current year appropriations and are not in this schedule.
10. The Special Revenue Commonwealth Transportation Fund appropriations as reported in the Budget/Actual statement do not include debt service amounts of $336.5 million. These amounts are included above.
11. Appropriations do not include food stamp issuances of $520.8 million since this is a noncash item; however, this amount is included in actual expenditures.

Funding Progress for Defined Benefit Pension Plans

(Dollars in Millions)

Biennial Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
		Virginia Retirement System (VRS) **				
2005	$ 40,372	$ 49,628	$ 9,256	81.3%	$ 12,212	75.8%
2004	39,691	43,958	4,267	90.3%	11,510	37.1%
2003	39,243	40,698	1,455	96.4%	10,885	13.4%
2002	38,957	38,265	(692)	101.8%	10,669	(6.5%)
2001	37,968	35,384	(2,584)	107.3%	10,145	(25.5%)
* 2000	34,392	32,643	(1,749)	105.4%	9,529	(18.4%)
1999	29,804	31,419	1,615	94.9%	9,138	17.7%
** 1998	25,481	29,027	3,546	87.8%	8,638	41.1%
* 1996	19,032	23,842	4,810	79.8%	7,769	61.9%
1994	14,891	20,405	5,514	73.0%	7,274	75.8%
		State Police Officers' Retirement System (SPORS)				
2005	$ 514	$ 673	$ 159	76.4%	$ 91	174.7%
2004	511	656	145	77.9%	82	176.8%
2003	509	616	107	82.6%	79	135.4%
2002	508	595	87	85.4%	81	107.4%
2001	495	557	62	88.9%	83	74.7%
* 2000	441	513	72	86.0%	81	88.9%
1999	377	463	86	81.4%	77	111.7%
** 1998	322	425	103	75.8%	65	158.5%
* 1996	243	371	128	65.5%	60	213.3%
1994	201	277	76	72.6%	58	131.0%
		Virginia Law Officers' Retirement System (VaLORS)				
2005	$ 575	$ 980	$ 405	58.7%	$ 307	131.9%
2004	509	927	418	54.9%	298	140.3%
2003	458	854	396	53.6%	292	135.6%
2002	418	806	388	51.9%	306	126.8%
2001	393	628	235	62.6%	320	73.4%
*** 2000	307	680	373	45.1%	315	118.4%
		Judicial Retirement System (JRS)				
2005	$ 288	$ 402	$ 114	71.6%	$ 52	219.2%
2004	285	366	81	77.9%	48	168.8%
2003	282	348	66	81.0%	48	137.5%
2002	281	352	71	79.8%	48	147.9%
2001	277	342	65	81.0%	47	138.3%
* 2000	245	330	85	74.2%	45	188.9%
1999	210	302	92	69.5%	42	219.0%
** 1998	180	274	94	65.7%	39	241.0%
* 1996	138	243	105	56.8%	36	291.7%
1994	115	199	84	57.8%	33	254.5%

* Revised economic and demographic assumptions due to experience study.

** Change in benefit formula, unreduced early retirement age and in the actuarial amortization method.

*** The first actuarial valuation for the Virginia Law Officers' Retirement System, established on October 1, 1999, was performed as of June 30, 2000.

See Notes on following page.

Notes:		
	Valuation Date:	June 30, 2005
	Actuarial Cost Method:	Entry Age Normal
	Amortization Method:	
	State Employees	Level percent, closed
	Political Subdivision Employees	Level percent, open
	Teachers	Level percent, closed
	State Police / VA Law Officers / Judges	Level percent, closed
	Payroll Growth Rate:	3.00%
	Remaining Amortization Period:	
	State Employees	21 years
	Political Subdivision Employees	21 years
	Teachers	21 years
	State Police / VA Law Officers / Judges	21 years
	Asset Valuation Method:	5 year Smoothed Market
	Actuarial Assumptions:	
	Investment Rate of Return (1)	7.50%
	Projected Salary Increases (1)	
	State / Political Subdivision Employees	3.50% to 5.73%
	Teachers	3.75% to 6.20%
	State Police / VA Law Officers	3.50% to 4.75%
	Judges	3.50%
	Cost of Living Adjustments	2.50%

(1) Includes inflation at 2.50%.

Claims Development Information – Risk Management

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	1997	1998	1999	2000
1. Required contribution and investment revenue:				
Earned	$ 6,664	$ 7,537	$ 6,780	$ 6,478
Ceded (a)	-	-	-	-
Net earned	6,664	7,537	6,780	6,478
2. Unallocated expenses	453	464	703	1,223
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	2,095	2,760	2,719	2,263
Ceded (a)	-	-	-	-
Net incurred	2,095	2,760	2,719	2,263
4. Net paid (cumulative) as of:				
End of policy year	286	434	439	196
One year later	1,680	2,651	2,100	2,688
Two years later	2,602	3,261	2,938	3,322
Three years later	2,907	3,894	4,555	3,369
Four years later	3,028	4,183	4,873	3,447
Five years later	2,965	4,272	4,931	4,042
Six years later	3,063	4,314	5,144	4,062
Seven years later	3,065	4,327	5,144	
Eight years later	3,089	4,332		
Nine years later	3,089			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	2,095	2,760	2,719	2,263
One year later	3,352	4,080	5,509	4,801
Two years later	3,160	3,934	5,997	4,467
Three years later	3,300	4,565	5,769	3,589
Four years later	3,314	4,353	5,146	3,575
Five years later	3,052	4,378	5,955	4,211
Six years later	3,180	4,419	6,017	4,236
Seven years later	3,180	4,383	6,017	
Eight years later	3,089	4,484		
Nine years later	3,089			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	994	1,724	3,298	1,973

The Commonwealth provides errors and omissions liability insurance and law enforcement professional liability insurance for local governmental units, which went into effect in fiscal year 1987. For fiscal years 1992-2000, this insurance coverage was provided through the Department of General Services, Division of Risk Management. Effective July 1, 2000, this coverage was provided through the Department of Treasury, Division of Risk Management.

See Notes on page 162 in this section.

2001	2002	2003	2004	2005	2006
$ 5,814	$ 5,324	$ 5,740	$ 5,729	$ 5,788	$ 6,166
-	-	-	-	-	-
5,814	5,324	5,740	5,729	5,788	6,166
1,863	924	918	1,209	1,068	1,008
2,688	4,110	3,488	2,861	2,790	1,539
-	-	-	-	-	-
2,688	4,110	3,488	2,861	2,790	1,539
336	550	380	161	227	177
1,628	1,979	1,894	1,072	1,699	
2,388	2,291	2,181	1,420		
2,490	2,556	2,375			
2,530	2,864				
2,616					
-	-	-	-	-	-
2,688	4,110	3,488	2,861	2,790	1,539
3,752	4,458	3,237	3,302	3,563	
3,318	4,196	2,910	2,306		
3,270	3,734	2,619			
3,186	3,289				
3,171					
483	(821)	(869)	(555)	773	-

Claims Development Information – Health Care

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	1997	1998	1999	2000
1. Required contribution and investment revenue:				
Earned	$ 48,493	$ 54,089	$ 64,419	$ 75,569
Ceded (a)	-	-	-	-
Net earned	48,493	54,089	64,419	75,569
2. Unallocated expenses	4,445	5,286	6,632	6,997
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	46,895	60,657	70,719	76,816
Ceded (a)	-	-	-	-
Net incurred	46,895	60,657	70,719	76,816
4. Net paid (cumulative) as of:				
End of policy year	40,631	53,219	62,219	68,336
One year later	46,895	-	-	-
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	46,895	60,657	70,719	74,417
One year later	46,895	60,657	70,719	74,417
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	-	-	-	(2,399)

The Commonwealth, through its Department of Human Resource Management, provides health care insurance for local governmental units, which went into effect in fiscal year 1987.

See Notes on page 162 in this section.

2001	2002	2003	2004	2005	2006
$ 88,313	$ 100,836	$ 118,825	$ 137,582	$ 157,959	$ 184,360
-	-	-	-	-	-
88,313	100,836	118,825	137,582	157,959	184,360
7,203	6,225	6,171	6,271	10,655	11,899
87,222	95,860	104,453	124,887	144,976	152,289
-	-	-	-	-	-
87,222	95,860	104,453	124,887	144,976	152,289
74,579	80,974	99,443	99,656	140,452	147,534
-	-	-	-	-	-
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
-	-	-	-	-	-
87,222	95,860	104,453	124,887	144,976	152,289
87,222	95,860	104,453	124,887	144,976	152,289
N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A	N/A		
N/A	N/A				
N/A					
-	-	-	-	-	-

Notes for Claims Development Information Tables

The tables on the previous four pages illustrate how the Risk Management and Health Care Claims Funds earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Funds as of the end of each of the past several years. The rows of the tables are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

2. This line shows each fiscal year's other operating costs of the Funds, including overhead and claims expense not allocable to individual claims.

3. This line shows the Funds' gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.

5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)

7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

Notes:

(a) During fiscal year 1997, the Commonwealth implemented GASB Statement No. 30, *Risk Financing Omnibus*. The Commonwealth has no reinsurers; therefore, the ceded amounts on lines 1, 3, and 5 are zero.

Combining and Individual Fund Statements and Schedules

Nonmajor Governmental Funds

Special Revenue Funds:

Special Revenue Funds account for specific revenue sources that are restricted to finance particular functions and activities of the Commonwealth.

The Health and Social Services Special Revenue Fund accounts for revenues and expenditures related to local health care assistance.

The Other Special Revenue Fund accounts for revenues and expenditures related to business and agricultural activities, and miscellaneous activities throughout the Commonwealth.

Debt Service Funds:

The Debt Service Funds account for transactions related to resources retained and used for the payment of interest and principal on long-term obligations recorded in the Governmental Activities column on the Government-wide Statement of Net Assets.

Primary Government accounts for the payment of principal and interest on bonds used to acquire, construct, or improve parks, highways, and correctional, mental health, and parking facilities owned by the Commonwealth.

The Virginia Public Building Authority accounts for the payment of principal and interest on bonds used to acquire, construct, and operate public buildings used by the Commonwealth and its political subdivisions.

Capital Project Funds:

The Capital Project Funds are maintained to account for resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental or proprietary funds.

Primary Government accounts for the financial resources acquired through the issuance of General Obligation Bonds and Energy Performance Contracts. The resources are used to acquire, construct, or improve land, public buildings, and parking facilities owned by the Commonwealth.

The Virginia Public Building Authority accounts for financial resources acquired through the issuance of section 9(d) bonds. These resources are used to acquire, construct, finance, refinance and operate public buildings used by the Commonwealth and any of its political subdivisions. Resources are also used to finance or refinance reimbursements to localities or governmental entities for the Commonwealth's share of the capital costs for certain authorized projects.

Permanent Funds:

Permanent Funds are funds whose principal must remain intact.

Commonwealth Health Research Fund provides financial grants for human health research benefiting the Commonwealth's citizens. The entire fund balance is restricted for use as such.

Mental Health Endowment Funds provide funds for the welfare of patients in mental health facilities. The entire fund balance is restricted for use as such.

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2006
(Dollars in Thousands)

	Special Revenue Funds		
	Health and Social Services	Other	Total
Assets			
Cash and Cash Equivalents	$ 127,562	$ 539,890	$ 667,452
Investments	8,564	55,889	64,453
Receivables	36,805	37,675	74,480
Due From Other Funds	3,441	7,416	10,857
Due From External Parties (Fiduciary Funds)	-	30	30
Interfund Receivable	-	118,689	118,689
Inventory	6,342	361	6,703
Prepaid Items	4,808	3,554	8,362
Other Assets	156	849	1,005
Loans Receivable from Component Units	-	32,960	32,960
Total Assets	$ 187,678	$ 797,313	$ 984,991
Liabilities and Fund Balances			
Accounts Payable	$ 12,372	$ 19,496	$ 31,868
Amounts Due to Other Governments	-	1,070	1,070
Due to Other Funds	1,759	1,825	3,584
Due to Component Units	-	-	-
Due to External Parties (Fiduciary Funds)	-	3	3
Interfund Payable	-	-	-
Deferred Revenue	1,755	12,363	14,118
Unearned Revenue	1,701	7,618	9,319
Obligations Under Securities Lending Program	9,127	105,463	114,590
Other Liabilities	-	2,401	2,401
Loans Payable to Component Units	-	270	270
Long-term Liabilities	126	44	170
Total Liabilities	26,840	150,553	177,393
Fund Balances Reserved for:			
Inventory	6,342	361	6,703
Prepaid Items	4,808	3,554	8,362
Debt Service	-	-	-
Gifts and Grants	2,849	19,683	22,532
Capital Acquisition	-	538	538
Fund Balances Unreserved, Reported in:			
Special Revenue Funds	146,839	622,624	769,463
Capital Projects Funds	-	-	-
Permanent Funds	-	-	-
Total Fund Balances (Deficit)	160,838	646,760	807,598
Total Liabilities and Fund Balances	$ 187,678	$ 797,313	$ 984,991

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
$ 94,265	$ 164	$ 94,429	$ 76,090	$ -	$ 76,090
-	-	-	136	-	136
-	-	-	-	20	20
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 94,265	$ 164	$ 94,429	$ 76,226	$ 20	$ 76,246
$ -	$ -	$ -	$ 5,268	$ 27,792	$ 33,060
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	10,096	110	10,206
-	-	-	-	-	-
-	-	-	-	48,780	48,780
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	273	-	273
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	15,637	76,682	92,319
-	-	-	-	-	-
-	-	-	-	-	-
94,265	164	94,429	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	60,589	(76,662)	(16,073)
-	-	-	-	-	-
94,265	164	94,429	60,589	(76,662)	(16,073)
$ 94,265	$ 164	$ 94,429	$ 76,226	$ 20	$ 76,246

Continued on next page

Combining Balance Sheet – Nonmajor Governmental Funds *(Continued from previous page)*

June 30, 2006
(Dollars in Thousands)

	Permanent Funds			
	Commonwealth Health Research Board	Mental Health Endowment Funds	Total	Total Nonmajor Governmental Funds
Assets				
Cash and Cash Equivalents	$ 124	$ 248	$ 372	$ 838,343
Investments	29,258	-	29,258	93,847
Receivables	3	-	3	74,503
Due From Other Funds	-	-	-	10,857
Due From External Parties (Fiduciary Funds)	-	-	-	30
Interfund Receivable	-	-	-	118,689
Inventory	-	-	-	6,703
Prepaid Items	-	-	-	8,362
Other Assets	-	-	-	1,005
Loans Receivable from Component Units	-	-	-	32,960
Total Assets	$ 29,385	$ 248	$ 29,633	$ 1,185,299
Liabilities and Fund Balances				
Accounts Payable	$ 8	$ -	$ 8	$ 64,936
Amounts Due to Other Governments	-	-	-	1,070
Due to Other Funds	-	-	-	3,584
Due to Component Units	-	-	-	10,206
Due to External Parties (Fiduciary Funds)	-	-	-	3
Interfund Payable	-	-	-	48,780
Deferred Revenue	-	-	-	14,118
Unearned Revenue	-	-	-	9,319
Obligations Under Securities Lending Program	35	-	35	114,898
Other Liabilities	-	-	-	2,401
Loans Payable to Component Units	-	-	-	270
Long-term Liabilities	-	-	-	170
Total Liabilities	43	-	43	269,755
Fund Balances Reserved for:				
Inventory	-	-	-	6,703
Prepaid Items	-	-	-	8,362
Debt Service	-	-	-	94,429
Gifts and Grants	-	-	-	22,532
Capital Acquisition	-	-	-	538
Fund Balances Unreserved, Reported in:				
Special Revenue Funds	-	-	-	769,463
Capital Projects Funds	-	-	-	(16,073)
Permanent Funds	29,342	248	29,590	29,590
Total Fund Balances (Deficit)	29,342	248	29,590	915,544
Total Liabilities and Fund Balances	$ 29,385	$ 248	$ 29,633	$ 1,185,299

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Special Revenue Funds		
	Health and Social Services	Other	Total
Revenues			
Taxes	$ -	$ 72,483	$ 72,483
Rights and Privileges	97,136	151,577	248,713
Institutional Revenue	298,380	36,110	334,490
Interest, Dividends, Rents, and Other Investment Income	2,005	18,589	20,594
Federal Grants and Contracts	6,344	-	6,344
Other	123,628	220,190	343,818
Total Revenues	527,493	498,949	1,026,442
Expenditures			
Current:			
General Government	310	98,744	99,054
Education	1,368	23,311	24,679
Transportation	-	16,439	16,439
Resources and Economic Development	31,079	265,195	296,274
Individual and Family Services	463,732	43,639	507,371
Administration of Justice	379	64,713	65,092
Capital Outlay	2	19,451	19,453
Debt Service:			
Principal Retirement	-	-	-
Interest and Charges	-	-	-
Total Expenditures	496,870	531,492	1,028,362
Revenues Over (Under) Expenditures	30,623	(32,543)	(1,920)
Other Financing Sources (Uses)			
Transfers In	26,989	213,446	240,435
Transfers Out	(12,276)	(40,467)	(52,743)
Notes Issued	-	77	77
Insurance Recoveries	70	3,307	3,377
Bonds Issued	-	-	-
Premium on Debt Issuance	-	-	-
Refunding Bonds Issued	-	-	-
Payments to Refunded Bond Escrow Agents	-	-	-
Total Other Financing Sources (Uses)	14,783	176,363	191,146
Net Change in Fund Balances	45,406	143,820	189,226
Fund Balance (Deficit), July 1, as restated	115,432	502,940	618,372
Fund Balance (Deficit), June 30	$ 160,838	$ 646,760	$ 807,598

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
2,534	11	2,545	5,236	4,488	9,724
-	-	-	-	-	-
7,528	270	7,798	668	-	668
10,062	281	10,343	5,904	4,488	10,392
-	-	-	-	-	-
-	-	-	-	-	-
147	-	147	-	-	-
-	-	-	-	-	-
-	-	-	13	-	13
-	-	-	-	-	-
-	-	-	174,515	273,063	447,578
201,248	78,660	279,908	-	-	-
130,127	48,908	179,035	-	-	-
331,522	127,568	459,090	174,528	273,063	447,591
(321,460)	(127,287)	(448,747)	(168,624)	(268,575)	(437,199)
339,399	127,396	466,795	-	-	-
-	-	-	-	(73)	(73)
-	-	-	31,917	-	31,917
-	-	-	-	-	-
-	-	-	118,135	215,810	333,945
10,183	-	10,183	6,384	9,521	15,905
204,935	-	204,935	-	-	-
(214,312)	-	(214,312)	-	-	-
340,205	127,396	467,601	156,436	225,258	381,694
18,745	109	18,854	(12,188)	(43,317)	(55,505)
75,520	55	75,575	72,777	(33,345)	39,432
$ 94,265	$ 164	$ 94,429	$ 60,589	$ (76,662)	$ (16,073)

Continued on next page

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Permanent Funds			
	Commonwealth Health Research Board	Mental Health Endowment Funds	Total	Total Nonmajor Governmental Funds
Revenues				
Taxes	$ -	$ -	$ -	$ 72,483
Rights and Privileges	-	-	-	248,713
Institutional Revenue	-	-	-	334,490
Interest, Dividends, Rents, and Other Investment Income	1,806	9	1,815	34,678
Federal Grants and Contracts	-	-	-	6,344
Other	16	-	16	352,300
Total Revenues	1,822	9	1,831	1,049,008
Expenditures				
Current:				
General Government	-	-	-	99,054
Education	-	-	-	24,679
Transportation	-	-	-	16,586
Resources and Economic Development	-	-	-	296,274
Individual and Family Services	743	9	752	508,136
Administration of Justice	-	-	-	65,092
Capital Outlay	-	-	-	467,031
Debt Service:				
Principal Retirement	-	-	-	279,908
Interest and Charges	-	-	-	179,035
Total Expenditures	743	9	752	1,935,795
Revenues Over (Under) Expenditures	1,079	-	1,079	(886,787)
Other Financing Sources (Uses)				
Transfers In	-	-	-	707,230
Transfers Out	-	-	-	(52,816)
Notes Issued	-	-	-	31,994
Insurance Recoveries	-	-	-	3,377
Bonds Issued	-	-	-	333,945
Premium on Debt Issuance	-	-	-	26,088
Refunding Bonds Issued	-	-	-	204,935
Payments to Refunded Bond Escrow Agents	-	-	-	(214,312)
Total Other Financing Sources (Uses)	-	-	-	1,040,441
Net Change in Fund Balances	1,079	-	1,079	153,654
Fund Balance (Deficit), July 1, as restated	28,263	248	28,511	761,890
Fund Balance (Deficit), June 30	$ 29,342	$ 248	$ 29,590	$ 915,544

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Health and Social Services			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenues:				
Taxes:				
Public Service Corporations	$ -	$ -	$ -	$ -
Motor Fuel	-	-	-	-
Other Taxes	-	-	-	-
Rights and Privileges	90,625	97,036	96,894	(142)
Sales of Property and Commodities	15,800	16,399	16,634	235
Assessments and Receipts for Support of Special Services	-	2	2	-
Institutional Revenue	271,056	293,942	298,757	4,815
Interest, Dividends, and Rents	808	732	1,018	286
Fines, Forfeitures, Court Fees, Penalties, and Escheats	1,059	826	879	53
Federal Grants and Contracts	-	-	6,344	6,344
Receipts from Cities, Counties, and Towns	53,034	55,285	54,339	(946)
Private Donations, Gifts and Contracts	3,543	3,680	3,966	286
Other	43,107	40,332	37,083	(3,249)
Total Revenues	479,032	508,234	515,916	7,682
Expenditures:				
Current:				
General Government	5	12	312	(300)
Education	1,636	2,066	1,412	654
Transportation	-	-	-	-
Resources and Economic Development	25,348	45,772	30,723	15,049
Individual and Family Services	451,169	498,200	479,165	19,035
Administration of Justice	379	379	378	1
Capital Outlay	154	174	2	172
Total Expenditures	478,691	546,603	511,992	34,611
Revenues Over (Under) Expenditures	341	(38,369)	3,924	42,293
Other Financing Sources (Uses):				
Transfers:				
Transfers In	15,971	27,393	26,989	(404)
Transfers Out	(3,389)	(3,392)	(12,276)	(8,884)
Notes Issued	-	-	-	-
Total Other Financing Sources (Uses)	12,582	24,001	14,713	(9,288)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	12,923	(14,368)	18,637	33,005
Fund Balance, July 1, as restated	107,410	107,410	107,410	-
Fund Balance, June 30	$ 120,333	$ 93,042	$ 126,047	$ 33,005

See Notes on page 176 in this section.

Other			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
$ 5,800	$ 6,000	$ 6,217	$ 217
39,733	38,576	36,498	(2,078)
32,163	31,938	30,482	(1,456)
161,712	177,631	150,463	(27,168)
6,404	6,428	6,653	225
106,950	92,110	83,745	(8,365)
63,183	35,340	35,199	(141)
7,431	8,583	18,583	10,000
55,858	48,508	52,713	4,205
-	-	-	-
5,666	5,392	6,315	923
1,163	1,157	5,054	3,897
62,089	86,474	69,670	(16,804)
548,152	538,137	501,592	(36,545)
77,270	104,271	98,105	6,166
28,879	30,995	23,492	7,503
20,522	21,353	17,501	3,852
374,936	462,320	271,835	190,485
45,484	50,692	45,881	4,811
59,900	71,830	64,546	7,284
22,617	47,617	18,871	28,746
629,608	789,078	540,231	248,847
(81,456)	(250,941)	(38,639)	212,302
118,054	183,480	213,446	29,966
(20,664)	(22,178)	(40,467)	(18,289)
-	-	77	77
97,390	161,302	173,056	11,754
15,934	(89,639)	134,417	224,056
509,574	509,574	509,574	-
$ 525,508	$ 419,935	$ 643,991	$ 224,056

1. BASIS OF BUDGETING VS. MODIFIED ACCRUAL BASIS FUND BALANCE

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2006, to the fund balance on a modified accrual basis follows.

(Dollars in Thousands)

	Health and Social Services	Other
Fund Balance, Basis of Budgeting	$ 126,047	$ 643,991
Adjustments from Budget to Modified Accrual, Undesignated:		
Accrued Revenues:		
Taxes	-	3,783
Other Revenue	30,167	18,799
Accrued Expenditures	(2,406)	(18,015)
Fund Reclassification - Budget to Modified Accrual	7,030	(1,798)
Fund Balance, Modified Accrual Basis	$ 160,838	$ 646,760

2. APPROPRIATIONS

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the Nonmajor Special Revenue Funds, at June 30, 2006.

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(Dollars in Thousands)

	Health and Social Services	Other
Appropriations (1)	$ 478,691	$ 629,608
Supplemental Appropriations:		
Reappropriations (2)	154	123,419
Subsequent Executive (3)	39,695	85,101
Subsequent Legislative (4)	750	8,420
Capital Outlay Reversions (5)	-	(427)
Transfers (6)	28,237	75,474
Capital Outlay Adjustment (7)	(924)	(132,517)
Appropriations, as adjusted	$ 546,603	$ 789,078

1. Represents the budget appropriated through Chapter 2, Special Session I, 2006 Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to appropriate any additional revenues collected so that they can be legally spent.
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay balances.
6. Represents transfers required by the Appropriation Act.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.

Nonmajor Enterprise Funds

Enterprise Funds:

The Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. It is the intent that the cost of providing such goods or services will be recovered through user charges.

Department of Alcoholic Beverage Control operates facilities for the distribution and sale of distilled spirits and wine.

Risk Management accounts for pooled resources received and used by the Department of the Treasury for financing local government insurance programs. This includes Local Entities Bond Insurance, Public Officials Insurance and Law Enforcement Insurance.

Local Choice Health Care administers a health care plan for the employees of participating local governments.

Virginia Industries for the Blind manufactures products for sale to governments, certain private organizations, and the general public.

Consolidated Laboratory provides water testing services and a newborn screening program.

eVA Procurement System accounts for the statewide electronic procurement system.

Department of Environmental Quality accounts for the Title V program that offers services to the general public.

Wireless E-911 Service Board assists in the establishment of wireless E-911 service in Virginia localities.

Virginia Information Providers Network provides for the centralized marketing, provision, leasing or executing of license agreements for access online or in volume.

Virginia Museum of Fine Arts accounts for gift shop and food service activities.

Science Museum of Virginia accounts for gift shop activities.

Mental Health Local Funds account for the canteen store and work activity programs.

Library of Virginia accounts for book shop activities.

School for the Deaf and Blind – Staunton accounts for the Student Center activity.

The Pocahontas Parkway accounts for the Route 895 Connector Project. The Association is a blended component unit of the Department of Transportation (Primary Government). Previously, this fund was reported as a Major Enterprise Fund.

Combining Statement of Net Assets – Nonmajor Enterprise Funds

June 30, 2006
(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care	Virginia Industries for the Blind
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 2,144	$ 26,098	$ 52,970	$ 4,489
Investments	303	3,689	7,486	-
Receivables (Net)	4,201	5	15,582	1,145
Inventory	38,874	-	-	3,688
Prepaid Items	1,152	-	-	-
Other Assets	160	-	-	1
Total Current Assets	46,834	29,792	76,038	9,323
Noncurrent Assets:				
Investments	-	-	-	-
Other Assets	318	-	-	-
Nondepreciable Capital Assets	1,828	-	-	510
Depreciable Capital Assets, Net	25,485	-	-	6,521
Total Noncurrent Assets	27,631	-	-	7,031
Total Assets	74,465	29,792	76,038	16,354
Liabilities				
Current Liabilities:				
Accounts Payable	15,509	135	4,480	471
Due to Other Funds	6,574	-	-	-
Interfund Payable	39,090	-	-	-
Unearned Revenue	156	513	-	-
Obligations Under Securities Lending Program	609	7,416	15,052	-
Other Liabilities	-	-	-	-
Claims Payable Due Within One Year	-	4,413	16,573	-
Long-term Liabilities Due Within One Year	4,715	29	-	145
Total Current Liabilities	66,653	12,506	36,105	616
Noncurrent Liabilities:				
Interfund Payable	-	-	-	-
Claims Payable Due in More Than One Year	-	8,391	-	-
Long-term Liabilities Due in More Than One Year	15,415	52	-	414
Total Noncurrent Liabilities	15,415	8,443	-	414
Total Liabilities	82,068	20,949	36,105	1,030
Net Assets				
Invested in Capital Assets, Net of Related Debt	22,446	-	-	7,032
Unrestricted	(30,049)	8,843	39,933	8,292
Total Net Assets (Deficit)	$ (7,603)	$ 8,843	$ 39,933	$ 15,324

Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Information Providers Network	Virginia Museum of Fine Arts	Science Museum of Virginia
$ 3,403	$ 5,649	$ 10,025	$ 27,999	$ 361	$ 595	$ 128
-	-	1,417	3,957	-	-	-
43	776	-	4,379	-	41	6
92	-	-	-	-	198	57
-	-	-	-	-	-	-
-	-	-	-	-	5	-
3,538	6,425	11,442	36,335	361	839	191
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
832	-	-	-	-	-	13
832	-	-	-	-	-	13
4,370	6,425	11,442	36,335	361	839	204
81	107	13	13,814	-	15	9
-	-	957	-	-	-	-
-	800	-	-	-	-	-
1,744	-	-	-	-	-	1
-	-	2,849	7,956	-	-	-
-	-	-	-	-	55	-
-	-	-	-	-	-	-
337	72	382	22	-	9	-
2,162	979	4,201	21,792	-	79	10
-	6,400	-	-	-	-	-
-	-	-	-	-	-	-
536	82	894	31	12	156	19
536	6,482	894	31	12	156	19
2,698	7,461	5,095	21,823	12	235	29
342	-	-	-	-	-	13
1,330	(1,036)	6,347	14,512	349	604	162
$ 1,672	$ (1,036)	$ 6,347	$ 14,512	$ 349	$ 604	$ 175

Continued on next page

Combining Statement of Net Assets – Nonmajor Enterprise Funds *(Continued from previous page)*

June 30, 2006
(Dollars in Thousands)

	Mental Health Local Funds	Library of Virginia	School for the Deaf and Blind - Staunton	Pocahontas Parkway	Total
Assets					
Current Assets:					
Cash and Cash Equivalents	$ 461	$ -	$ 2	$ 878	$ 135,202
Investments	-	-	-	-	16,852
Receivables (Net)	-	-	-	-	26,178
Inventory	-	129	-	-	43,038
Prepaid Items	-	-	-	-	1,152
Other Assets	-	-	-	-	166
Total Current Assets	461	129	2	878	222,588
Noncurrent Assets:					
Investments	1	-	-	-	1
Other Assets	-	-	-	-	318
Nondepreciable Capital Assets	-	-	-	-	2,338
Depreciable Capital Assets, Net	-	-	-	-	32,851
Total Noncurrent Assets	1	-	-	-	35,508
Total Assets	462	129	2	878	258,096
Liabilities					
Current Liabilities:					
Accounts Payable	-	17	-	878	35,529
Due to Other Funds	-	-	-	-	7,531
Interfund Payable	-	-	-	-	39,890
Unearned Revenue	-	-	-	-	2,414
Obligations Under Securities Lending Program	-	-	-	-	33,882
Other Liabilities	179	-	-	-	234
Claims Payable Due Within One Year	-	-	-	-	20,986
Long-term Liabilities Due Within One Year	-	4	-	-	5,715
Total Current Liabilities	179	21	-	878	146,181
Noncurrent Liabilities:					
Interfund Payable	-	168	-	-	6,568
Claims Payable Due In More Than One Year	-	-	-	-	8,391
Long-term Liabilities Due in More Than One Year	-	-	-	-	17,611
Total Noncurrent Liabilities	-	168	-	-	32,570
Total Liabilities	179	189	-	878	178,751
Net Assets					
Invested in Capital Assets, Net of Related Debt	-	-	-	-	29,833
Unrestricted	283	(60)	2	-	49,512
Total Net Assets (Deficit)	$ 283	$ (60)	$ 2	$ -	$ 79,345

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care	Virginia Industries for the Blind
Operating Revenues:				
Charges for Sales and Services	$ 482,370	$ 5,375	$ 184,360	$ 21,479
Interest, Dividends, Rents, and Other Investment Income	-	-	-	-
Other	25,944	-	162	414
Total Operating Revenues	508,314	5,375	184,522	21,893
Operating Expenses:				
Cost of Sales and Services	292,869	-	-	-
Prizes and Claims	-	4,890	152,289	-
Personal Services	69,627	526	-	4,092
Contractual Services	18,237	433	11,899	1,095
Supplies and Materials	2,451	4	-	13,586
Depreciation and Amortization	4,060	-	-	159
Rent, Insurance, and Other Related Charges	17,369	27	-	395
Interest Expense	-	-	-	-
Non-recurring Cost Estimate Payments to Providers	-	-	-	-
Distribution of On-Line Revenue	-	-	-	-
Other	1,888	6	-	222
Total Operating Expenses	406,501	5,886	164,188	19,549
Operating Income (Loss)	101,813	(511)	20,334	2,344
Nonoperating Revenues (Expenses):				
Interest, Dividends, Rents, and Other Investment Income	47	994	1,652	-
Insurance Recoveries	497	-	-	-
Other	836	(204)	(338)	-
Total Nonoperating Revenues (Expenses)	1,380	790	1,314	-
Income (Loss) Before Transfers	103,193	279	21,648	2,344
Transfers In	34	-	-	-
Transfers Out	(103,224)	(13)	-	-
Special Items	-	-	-	-
Change in Net Assets	3	266	21,648	2,344
Total Net Assets (Deficit), July 1	(7,606)	8,577	18,285	12,980
Total Net Assets (Deficit), June 30	$ (7,603)	$ 8,843	$ 39,933	$ 15,324

Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Information Providers Network	Virginia Museum of Fine Arts	Science Museum of Virginia
$ 6,462	$ 6,684	$ 10,084	$ 42,828	$ 14,838	$ 1,118	$ 496
-	-	-	-	-	-	-
-	-	-	77	-	7	-
6,462	6,684	10,084	42,905	14,838	1,125	496
-	-	-	-	-	486	256
-	-	-	-	-	-	-
2,092	1,288	9,024	416	1	721	164
553	3,712	1,063	218	1,942	40	12
1,684	-	88	15	-	24	3
225	-	1	-	-	-	3
429	562	892	40	-	-	-
-	-	-	-	-	-	-
-	-	-	42,357	-	-	-
-	-	-	-	11,665	-	-
3	-	116	20	-	-	6
4,986	5,562	11,184	43,066	13,608	1,271	444
1,476	1,122	(1,100)	(161)	1,230	(146)	52
-	-	476	820	-	13	-
-	-	-	-	-	-	-
(20)	(268)	(127)	(169)	-	(14)	(124)
(20)	(268)	349	651	-	(1)	(124)
1,456	854	(751)	490	1,230	(147)	(72)
-	-	-	-	-	25	-
(953)	-	-	(1,000)	(965)	-	-
-	-	-	-	-	-	-
503	854	(751)	(510)	265	(122)	(72)
1,169	(1,890)	7,098	15,022	84	726	247
$ 1,672	$ (1,036)	$ 6,347	$ 14,512	$ 349	$ 604	$ 175

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Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Mental Health Local Funds	Library of Virginia	School for the Deaf and Blind - Staunton	Pocahontas Parkway	Total
Operating Revenues:					
Charges for Sales and Services	$ 580	$ 171	$ 4	$ 11,680	$ 788,529
Interest, Dividends, Rents, and Other Investment Income	-	-	-	3,658	3,658
Other	-	-	-	-	26,604
Total Operating Revenues	580	171	4	15,338	818,791
Operating Expenses:					
Cost of Sales and Services	567	89	3	-	294,270
Prizes and Claims	-	-	-	-	157,179
Personal Services	-	142	-	-	88,093
Contractual Services	-	15	-	1,990	41,209
Supplies and Materials	-	5	-	-	17,860
Depreciation and Amortization	-	-	-	10,856	15,304
Rent, Insurance, and Other Related Charges	-	2	-	-	19,716
Interest Expense	-	-	-	26,414	26,414
Non-recurring Cost Estimate Payments to Providers	-	-	-	-	42,357
Distribution of On-Line Revenue	-	-	-	-	11,665
Other	-	6	-	-	2,267
Total Operating Expenses	567	259	3	39,260	716,334
Operating Income (Loss)	13	(88)	1	(23,922)	102,457
Nonoperating Revenues (Expenses):					
Interest, Dividends, Rents, and Other Investment Income	-	-	-	-	4,002
Insurance Recoveries	-	-	-	-	497
Other	-	-	-	-	(428)
Total Nonoperating Revenues (Expenses)	-	-	-	-	4,071
Income (Loss) Before Transfers	13	(88)	1	(23,922)	106,528
Transfers In	-	-	-	-	59
Transfers Out	(10)	-	-	-	(106,165)
Special Items	-	-	-	164,216	164,216
Change in Net Assets	3	(88)	1	140,294	164,638
Total Net Assets (Deficit), July 1	280	28	1	(140,294)	(85,293)
Total Net Assets (Deficit), June 30	$ 283	$ (60)	$ 2	$ -	$ 79,345

Combining Statement of Cash Flows – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care	Virginia Industries for the Blind
Cash Flows from Operating Activities:				
Receipts for Sales and Services	$ 503,092	$ 5,391	$ 182,490	$ 16,782
Receipts from Investments				
Internal Activity-Receipts from Other Funds	-	-	-	4,375
Internal Activity-Payments to Other Funds	-	-	-	-
Payments to Suppliers for Goods and Services	(315,952)	-	-	(14,638)
Payments for Prizes, Claims, and Loss Control	-	(2,571)	(151,926)	-
Payments to Employees	(69,987)	(645)	-	(4,846)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	-
Payments for Interest	-	-	-	-
Other Operating Revenue	4,594	-	84	-
Other Operating Expense	(18,238)	(371)	(11,819)	(1,106)
Net Cash Provided by (Used for) Operating Activities	103,509	1,804	18,829	567
Cash Flows from Noncapital Financing Activities:				
Transfers In From Other Funds	34	-	-	-
Transfers Out to Other Funds	(238,037)	(13)	-	-
Other Noncapital Financing Receipt Activities	174,004	-	-	-
Other Noncapital Financing Disbursement Activities	(30,965)	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(94,964)	(13)	-	-
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(5,372)	-	-	-
Payment of Principal and Interest on Bonds and Notes	(2,467)	-	-	-
Proceeds from Sale of Capital Assets	28	-	-	-
Other Capital and Related Financing Activities	336	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(7,475)	-	-	-
Cash Flows from Investing Activities:				
Proceeds from Sales or Maturities of Investments	-	-	-	-
Investment Income on Cash, Cash Equivalents, and Investments	-	791	1,314	-
Net Cash Provided by (Used for) Investing Activities	-	791	1,314	-
Net Increase (Decrease) in Cash and Cash Equivalents	1,070	2,582	20,143	567
Cash and Cash Equivalents, July 1	928	19,789	25,262	3,923
Cash and Cash Equivalents, June 30	$ 1,998	$ 22,371	$ 45,405	$ 4,490
Reconciliation of Cash and Cash Equivalents:				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	$ 2,144	$ 26,098	$ 52,970	$ 4,489
Cash and Travel Advances	160	-	-	1
Less:				
Securities Lending Cash Equivalents	(306)	(3,727)	(7,565)	-
Cash and Cash Equivalents per the Statement of Cash Flows	$ 1,998	$ 22,371	$ 45,405	$ 4,490

Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Information Providers Network	Virginia Museum of Fine Arts	Science Museum of Virginia
$ 6,498	$ 4,879	$ 10,085	$ 43,596	$ 17,804	$ 1,174	$ 497
95	1,521	-	-	-	-	-
(654)	(12)	-	(27)	(14,203)	-	-
(1,592)	(551)	(1,088)	(76)	-	(435)	(258)
-	-	-	-	-	-	-
(2,104)	(1,298)	(8,981)	(450)	-	(710)	(163)
-	-	-	(38,020)	-	-	-
-	-	-	-	-	-	-
-	-	-	77	-	-	-
(527)	(3,629)	(1,069)	(130)	(3,375)	(68)	(19)
1,716	910	(1,053)	4,970	226	(39)	57
-	-	-	-	-	25	-
(953)	-	-	(1,000)	(965)	-	-
-	-	-	-	-	-	-
-	(1,068)	-	-	-	-	(124)
(953)	(1,068)	-	(1,000)	(965)	25	(124)
(18)	-	-	-	-	-	-
(231)	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(249)	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	380	651	-	13	-
-	-	380	651	-	13	-
514	(158)	(673)	4,621	(739)	(1)	(67)
2,889	5,807	9,266	19,379	1,100	601	195
$ 3,403	$ 5,649	$ 8,593	$ 24,000	$ 361	$ 600	$ 128
$ 3,403	$ 5,649	$ 10,025	$ 27,999	$ 361	$ 595	$ 128
-	-	-	-	-	5	-
-	-	(1,432)	(3,999)	-	-	-
$ 3,403	$ 5,649	$ 8,593	$ 24,000	$ 361	$ 600	$ 128

Continued on next page

Combining Statement of Cash Flows – Nonmajor Enterprise Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Mental Health Local Funds	Library of Virginia	School for the Deaf and Blind - Staunton	Pocahontas Parkway	Total
Cash Flows from Operating Activities:					
Receipts for Sales and Services	$ 580	$ 173	$ 4	$ 11,676	$ 804,721
Receipts from Investments	-	-	-	2,143	2,143
Internal Activity-Receipts from Other Funds	-	-	-	-	5,991
Internal Activity-Payments to Other Funds	-	-	-	-	(14,896)
Payments to Suppliers for Goods and Services	(567)	(197)	(3)	-	(335,357)
Payments for Prizes, Claims, and Loss Control	-	-	-	-	(154,497)
Payments to Employees	-	(142)	-	-	(89,326)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	-	(38,020)
Payments for Interest	-	-	-	(9,046)	(9,046)
Other Operating Revenue	-	-	-	-	4,755
Other Operating Expense	-	(14)	-	-	(40,365)
Net Cash Provided by (Used for) Operating Activities	13	(180)	1	4,773	136,103
Cash Flows from Noncapital Financing Activities:					
Transfers In From Other Funds	-	168	-	-	227
Transfers Out to Other Funds	(10)	-	-	-	(240,978)
Other Noncapital Financing Receipt Activities	-	-	-	-	174,004
Other Noncapital Financing Disbursement Activities	-	-	-	(7,890)	(40,047)
Net Cash Provided by (Used for) Noncapital Financing Activities	(10)	168	-	(7,890)	(106,794)
Cash Flows from Capital and Related Financing Activities:					
Acquisition of Capital Assets	-	-	-	-	(5,390)
Payment of Principal and Interest on Bonds and Notes	-	-	-	(5,300)	(7,998)
Proceeds from Sale of Capital Assets	-	-	-	-	28
Other Capital and Related Financing Activities	-	-	-	-	336
Net Cash Provided By (Used for) Capital and Related Financing Activities	-	-	-	(5,300)	(13,024)
Cash Flows from Investing Activities:					
Proceeds from Sales or Maturities of Investments	-	-	-	2,176	2,176
Investment Income on Cash, Cash Equivalents, and Investments	49	-	-	-	3,198
Net Cash Provided by (Used for) Investing Activities	49	-	-	2,176	5,374
Net Increase (Decrease) in Cash and Cash Equivalents	52	(12)	1	(6,241)	21,659
Cash and Cash Equivalents, July 1	409	12	1	7,119	96,680
Cash and Cash Equivalents, June 30	$ 461	$ -	$ 2	$ 878	$ 118,339
Reconciliation of Cash and Cash Equivalents					
Per the Statement of Net Assets:					
Cash and Cash Equivalents	$ 461	$ -	$ 2	$ 878	$ 135,202
Cash and Travel Advances	-	-	-	-	166
Less:					
Securities Lending Cash Equivalents	-	-	-	-	(17,029)
Cash and Cash Equivalents per the Statement of Cash Flows	$ 461	$ -	$ 2	$ 878	$ 118,339

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care	Virginia Industries for the Blind
Reconciliation of Operating Income				
To Net Cash Provided by (Used for)				
Operating Activities:				
Operating Income (Loss)	$ 101,813	$ (511)	$ 20,334	$ 2,344
Adjustments to Reconcile Operating				
Income to Net Cash Provided by (Used for)				
Operating Activities:				
Depreciation and Amortization	4,060	-	-	159
Accretion of Principal	-	-	-	-
Interest, Dividends, Rents and Other Investment Income	-	-	-	-
Miscellaneous Nonoperating Income	-	-	-	(414)
Other Expenses	-	-	-	-
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(608)	24	(1,948)	(322)
(Increase) Decrease in Inventory	(2,395)	-	-	(810)
(Increase) Decrease in Prepaid Items	(213)	-	-	-
Increase (Decrease) in Accounts Payable	(242)	(61)	81	(409)
Increase (Decrease) in Claims Payable	-	2,337	362	-
Increase (Decrease) in Due to Other Funds	(296)	-	-	-
Increase (Decrease) in Unearned Revenue	(21)	11	-	-
Increase (Decrease) in Other Liabilities	-	-	-	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	202	(1)	-	119
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	1,209	5	-	(100)
Net Cash Provided by (Used for) Operating Activities	$ 103,509	$ 1,804	$ 18,829	$ 567
Noncash Investing, Capital, and Financing Activities:				
The following transactions occurred prior to the statement of net assets date:				
Installment Purchases Used to Finance Capital Assets	$ 1,727	$ -	$ -	$ -
Total Noncash, Investing, Capital, and Financing Activities	$ 1,727	$ -	$ -	$ -

Continued on next page

Combining Statement of Cash Flows – Nonmajor Enterprise Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board
Reconciliation of Operating Income				
To Net Cash Provided by (Used for)				
Operating Activities:				
Operating Income (Loss)	$ 1,476	$ 1,122	$ (1,100)	$ (161)
Adjustments to Reconcile Operating				
Income to Net Cash Provided by (Used for)				
Operating Activities:				
Depreciation and Amortization	225	-	1	-
Accretion of Principal	-	-	-	-
Interest, Dividends, Rents, and Other Investment Income	-	-	-	-
Miscellaneous Nonoperating Income	-	-	-	-
Other Expenses	-	-	-	-
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	71	(272)	-	719
(Increase) Decrease in Inventory	(72)	-	-	-
(Increase) Decrease in Prepaid Items	-	-	-	-
Increase (Decrease) in Accounts Payable	(58)	40	(13)	4,401
Increase (Decrease) in Claims Payable	-	-	-	-
Increase (Decrease) in Due to Other Funds	-	-	(18)	-
Increase (Decrease) in Unearned Revenue	60	-	-	-
Increase (Decrease) in Other Liabilities	-	-	-	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	4	20	17	11
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	10	-	60	-
Net Cash Provided by (Used for) Operating Activities	$ 1,716	$ 910	$ (1,053)	$ 4,970
Noncash Investing, Capital, and Financing Activities:				
The following transactions occurred prior to the statement of net assets date:				
Installment Purchases Used to Finance Capital Assets	$ -	$ -	$ -	$ -
Total Noncash, Investing, Capital, and Financing Activities	$ -	$ -	$ -	$ -

Virginia Information Providers Network	Virginia Museum of Fine Arts	Science Museum of Virginia	Mental Health Local Funds	Library of Virginia	School for the Deaf and Blind - Staunton	Pocahontas Parkway	Total
$ 1,230	$ (146)	$ 52	$ 13	$ (88)	$ 1	$ (23,922)	$ 102,457
-	-	3	-	-	-	10,856	15,304
-	-	-	-	-	-	16,151	16,151
-	-	-	-	-	-	(708)	(708)
-	-	-	-	-	-	(1,555)	(1,969)
-	-	(1)	-	-	-	88	87
2,967	48	(5)	-	1	-	747	1,422
-	40	13	-	(90)	-	-	(3,314)
-	-	1	-	-	-	17	(195)
(61)	10	(8)	-	(6)	-	(108)	3,566
-	-	-	-	-	-	-	2,699
(2,399)	-	-	-	-	-	-	(2,713)
-	-	1	-	-	-	-	51
(1,512)	(4)	-	-	-	-	(81)	(1,597)
-	1	-	-	3	-	-	376
1	12	1	-	-	-	3,288	4,486
$ 226	$ (39)	$ 57	$ 13	$ (180)	$ 1	$ 4,773	$ 136,103
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,727
$ -	$ -	$ -	$ -	$ -	**$** -	$ -	$ 1,727

Internal Service Funds

Internal Service Funds

Internal Service Funds account for the operations of State agencies that render services to other State agencies, institutions, or other governmental units of the Commonwealth on a cost-reimbursement basis.

Virginia Information Technologies Agency accounts for the installation and maintenance of the State government's telephone system; the development, use and maintenance of the Commonwealth's data processing systems; and the development of automated systems.

Virginia Correctional Enterprises accounts for the manufacturing activities of the State's correctional facilities.

Health Care accounts for the health insurance programs provided to State employees.

Fleet Management accounts for the Commonwealth's motor vehicle pool.

Property Management accounts for real estate services, non-routine facility maintenance, and the disposal of State-owned property. Real estate service activity is new in the current fiscal year. In the prior fiscal year, Maintenance and Repair and Property Disposal were reported as individual internal service funds.

Risk Management accounts for the insurance programs provided to State agencies and institutions.

General Services accounts for a variety of services, including the purchase of supplies, the sale of surplus property, water testing, graphic design and engineering. In the prior fiscal year, the activity in this fund was reported as the Virginia Distribution Center, Consolidated Laboratory, Federal Surplus Property, State Surplus Property, Graphic Communications, and Engineering Services internal service funds.

Combining Statement of Net Assets – Internal Service Funds

June 30, 2006
(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 20,038	$ 3,565	$ 182,583
Investments	-	-	25,805
Receivables, Net	4,440	4,561	1,607
Due From Other Funds	26,689	2,191	-
Inventory	-	13,748	-
Prepaid Items	1,327	-	-
Other Assets	9	3	-
Total Current Assets	52,503	24,068	209,995
Noncurrent Assets:			
Nondepreciable Capital Assets	-	225	-
Depreciable Capital Assets, Net	33,493	6,127	-
Total Noncurrent Assets	33,493	6,352	-
Total Assets	85,996	30,420	209,995
Liabilities			
Current Liabilities:			
Accounts Payable	21,566	2,475	23,358
Amounts Due to Other Governments	514	481	-
Due to Other Funds	10	-	-
Interfund Payable	-	-	-
Unearned Revenue	25,978	1,335	-
Obligations Under Securities Lending Program	-	-	51,881
Other Liabilities	-	-	-
Claims Payable Due Within One Year	-	-	81,474
Long-term Liabilities Due within One Year	8,219	261	-
Total Current Liabilities	56,287	4,552	156,713
Noncurrent Liabilities:			
Interfund Payable	-	-	-
Claims Payable Due In More Than One Year	-	-	-
Long-term Liabilities Due in More Than One Year	4,831	2,333	-
Total Noncurrent Liabilities	4,831	2,333	-
Total Liabilities	61,118	6,885	156,713
Net Assets			
Invested in Capital Assets, Net of Related Debt	29,714	5,835	-
Unrestricted	(4,836)	17,700	53,282
Total Net Assets (Deficit)	$ 24,878	$ 23,535	$ 53,282

Fleet Management	Property Management	Risk Management	General Services	Total
$ 1,810	$ 9,966	$ 104,791	$ 5,432	$ 328,185
-	-	14,498	386	40,689
1,371	153	183	1,200	13,515
1,952	1,278	-	690	32,800
71	258	-	3,126	17,203
-	-	-	-	1,327
-	1	1,000	2	1,015
5,204	11,656	120,472	10,836	434,734
-	-	-	150	375
26,391	416	-	10,137	76,564
26,391	416	-	10,287	76,939
31,595	12,072	120,472	21,123	511,673
1,064	1,197	1,786	818	52,264
141	1,047	-	-	2,183
1,303	664	-	113	2,090
-	-	-	732	732
8	7,789	37,169	45	72,324
-	-	29,149	777	81,807
-	-	1,210	-	1,210
-	-	51,526	-	133,000
873	550	43	326	10,272
3,389	11,247	120,883	2,811	355,882
-	5,640	-	6,855	12,495
-	-	220,602	-	220,602
4,065	1,555	266	887	13,937
4,065	7,195	220,868	7,742	247,034
7,454	18,442	341,751	10,553	602,916
21,745	367	-	10,287	67,948
2,396	(6,737)	(221,279)	283	(159,191)
$ 24,141	$ (6,370)	$ (221,279)	$ 10,570	$ (91,243)

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
Operating Revenues:			
Charges for Sales and Services	$ 230,625	$ 47,539	$ 827,966
Total Operating Revenues	230,625	47,539	827,966
Operating Expenses:			
Cost of Sales and Services	-	36,193	-
Prizes and Claims	-	-	715,283
Personal Services	74,603	3,904	-
Contractual Services	104,725	3,650	52,485
Supplies and Materials	1,469	411	-
Depreciation and Amortization	15,749	1,551	-
Rent, Insurance, and Other Related Charges	9,618	1,106	-
Interest Expense	-	-	-
Other	29,505	203	-
Total Operating Expenses	235,669	47,018	767,768
Operating Income (Loss)	(5,044)	521	60,198
Nonoperating Revenues (Expenses):			
Interest, Dividends, Rents, and Other Investment Income	(190)	-	5,096
Insurance Recoveries	-	-	-
Other	4,588	192	(1,028)
Total Nonoperating Revenues (Expenses)	4,398	192	4,068
Income (Loss) Before Transfers	(646)	713	64,266
Transfers In	-	-	-
Transfers Out	(44)	(1,070)	-
Change in Net Assets	(690)	(357)	64,266
Total Net Assets (Deficit), July 1	25,568	23,892	(10,984)
Total Net Assets (Deficit), June 30	$ 24,878	$ 23,535	$ 53,282

Fleet Management	Property Management	Risk Management	General Services	Total
$ 13,804	$ 30,548	$ 69,032	$ 36,660	$ 1,256,174
13,804	30,548	69,032	36,660	1,256,174
-	-	-	24,743	60,936
-	-	84,743	-	800,026
856	8,384	1,243	5,413	94,403
2,528	5,569	7,700	2,503	179,160
4,854	4,068	6	1,055	11,863
3,930	129	-	803	22,162
707	8,608	724	1,205	21,968
-	128	-	225	353
10	9,128	8,567	321	47,734
12,885	36,014	102,983	36,268	1,238,605
919	(5,466)	(33,951)	392	17,569
-	-	3,687	63	8,656
-	117	-	-	117
(249)	(6)	(753)	(16)	2,728
(249)	111	2,934	47	11,501
670	(5,355)	(31,017)	439	29,070
-	3	5,200	620	5,823
(500)	-	(42)	-	(1,656)
170	(5,352)	(25,859)	1,059	33,237
23,971	(1,018)	(195,420)	9,511	(124,480)
$ 24,141	$ (6,370)	$ (221,279)	$ 10,570	$ (91,243)

Combining Statement of Cash Flows – Internal Service Funds

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
Cash Flows from Operating Activities:			
Receipts for Sales and Services	$ 5,801	$ 15,023	$ 852,803
Internal Activity-Receipts from Other Funds	238,242	32,374	-
Internal Activity-Payments to Other Funds	(1,160)	(1,412)	-
Payments to Suppliers for Goods and Services	(48,129)	(38,831)	-
Payments for Prizes, Claims, and Loss Control	-	-	(708,149)
Payments to Employees	(81,223)	(3,859)	-
Other Operating Revenue	2	-	-
Other Operating Expense	(86,093)	(2,669)	(52,312)
Net Cash Provided by (Used for) Operating Activities	27,440	626	92,342
Cash Flows from Noncapital Financing Activities:			
Transfers In From Other Funds	-	-	-
Transfers Out to Other Funds	(44)	(1,070)	-
Other Noncapital Financing Receipt Activities	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(44)	(1,070)	-
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(18,198)	(1,325)	-
Payment of Principal and Interest on Bonds and Notes	(6,465)	(404)	-
Proceeds from Sale of Capital Assets	-	-	-
Other Capital and Related Financing Receipt Activities	298	-	-
Other Capital and Related Financing Disbursement Activities	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(24,365)	(1,729)	-
Cash Flows from Investing Activities:			
Investment Income on Cash, Cash Equivalents, and Investments	-	-	4,067
Net Cash Provided by (Used for) Investing Activities	-	-	4,067
Net Increase (Decrease) in Cash and Cash Equivalents	3,031	(2,173)	96,409
Cash and Cash Equivalents, July 1	17,016	5,741	60,098
Cash and Cash Equivalents, June 30	$ 20,047	$ 3,568	$ 156,507
Reconciliation of Cash and Cash Equivalents:			
Per the Statement of Net Assets:			
Cash and Cash Equivalents	$ 20,038	$ 3,565	$ 182,583
Cash and Travel Advances	9	3	-
Less:			
Securities Lending Cash Equivalents	-	-	(26,076)
Cash and Cash Equivalents per the Statement of Cash Flows	$ 20,047	$ 3,568	$ 156,507

Fleet Management	Property Management	Risk Management	General Services	Total
$ 1,391	$ 2,613	$ 22,207	$ 11,260	$ 911,098
10,976	28,037	53,532	25,515	388,676
(3,917)	(125)	-	(1,355)	(7,969)
(1,539)	(21,944)	-	(25,811)	(136,254)
-	-	(64,056)	-	(772,205)
(856)	(8,601)	(1,252)	(5,495)	(101,286)
-	-	-	-	2
(1,370)	(5,414)	(17,000)	(2,462)	(167,320)
4,685	(5,434)	(6,569)	1,652	114,742
-	3	5,200	620	5,823
(500)	-	(42)	-	(1,656)
-	5,757	-	48	5,805
(500)	5,760	5,158	668	9,972
(3,766)	(13)	-	(326)	(23,628)
(37)	(69)	-	-	(6,975)
621	-	-	-	621
-	-	-	-	298
-	-	-	(632)	(632)
(3,182)	(82)	-	(958)	(30,316)
-	-	2,935	-	7,002
-	-	2,935	-	7,002
1,003	244	1,524	1,362	101,400
807	9,723	89,617	3,681	186,683
$ 1,810	$ 9,967	$ 91,141	$ 5,043	$ 288,083
$ 1,810	$ 9,966	$ 104,791	$ 5,432	$ 328,185
-	1	1,000	2	1,015
-	-	(14,650)	(391)	(41,117)
$ 1,810	$ 9,967	$ 91,141	$ 5,043	$ 288,083

Continued on next page

Combining Statement of Cash Flows – Internal Service Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
Reconciliation of Operating Income			
To Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	$ (5,044)	$ 521	$ 60,198
Adjustments to Reconcile Operating			
Income to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation and Amortization	15,749	1,551	-
Miscellaneous Nonoperating Income	2	413	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(1,830)	(1,180)	11,001
(Increase) Decrease in Due From Other Funds	(6,100)	(125)	13,835
(Increase) Decrease in Other Assets	(1)	1	-
(Increase) Decrease in Inventory	-	(1,475)	-
(Increase) Decrease in Prepaid Items	2,676	-	-
Increase (Decrease) in Accounts Payable	7,128	(456)	3,550
Increase (Decrease) in Amounts Due to Other Governments	-	481	-
Increase (Decrease) in Claims Payable	-	-	3,758
Increase (Decrease) in Due to Other Funds	(373)	(84)	-
Increase (Decrease) in Unearned Revenue	17,624	865	-
Increase (Decrease) in Other Liabilities	-	-	-
Increase (Decrease) in Long-term Liabilities: Due within One Year	789	2	-
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	(3,180)	112	-
Net Cash Provided by (Used for) Operating Activities	$ 27,440	$ 626	$ 92,342
Noncash Investing, Capital, and Financing Activities:			
The following transactions occurred prior to the statement of net assets date:			
Installment Purchases Used to Finance Capital Assets	$ -	$ -	$ -
Capital Asset Addition Included in Accounts Payable	678	-	-
Total Noncash, Investing, Capital, and Financing Activities	$ 678	$ -	$ -

Fleet Management	Property Management	Risk Management	General Services	Total
$ 919	$ (5,466)	$ (33,951)	$ 392	$ 17,569
3,930	129	-	803	22,162
-	-	-	-	415
(256)	(141)	13	(9)	7,598
(1,197)	(491)	726	200	6,848
-	-	-	1	1
(44)	(5)	-	333	(1,191)
-	-	-	-	2,676
(149)	(730)	(4,174)	(261)	4,908
141	276	-	-	898
-	-	28,871	-	32,629
1,303	664	-	113	1,623
8	218	6,095	(5)	24,805
-	-	(4,162)	-	(4,162)
18	31	5	31	876
12	81	8	54	(2,913)
$ 4,685	$ (5,434)	$ (6,569)	$ 1,652	$ 114,742
$ 3,718	$ -	$ -	$ -	$ 3,718
807	-	-	-	1,485
$ 4,525	$ -	$ -	$ -	$ 5,203

Fiduciary Funds

Private Purpose Funds

Private Purpose Funds are trust arrangements that benefit individuals, private organizations, or other governments.

Unclaimed Property accounts for unclaimed and escheat property.

Education Savings Trust Funds account for the activities of the Virginia Education Savings Trust and College America programs, which are voluntary, non-guaranteed, higher educational investment programs offered by the Virginia College Savings Plan.

Loan Servicing Reserve accounts for funds that are used to service loan activities for individual loans in order to meet the provisions of the Declarations of the dissolved Virginia Education Loan Authority.

Edvantage Reserve accounts for funds that are used to service loan activities for individual loans in order to meet the provisions of the dissolved Student Education Assistance Authority.

Virginia Revolving Farm Loan Program accounts for trust funds that are used to provide loans to individual farmers for rural rehabilitation purposes.

Miscellaneous Trust Funds account for perpetual trusts created through donations to the state. Earnings are used for the benefit of donor-specified local entities.

Pension and Other Employee Benefit Trust Funds

Pension and Other Employee Benefit Trust Funds reflect the activities of the retirement systems and postemployment benefits administered by the Virginia Retirement System (VRS) for the Commonwealth.

The Virginia Retirement System provides retirement benefits to Commonwealth employees, teachers, political subdivision employees, and other qualifying employees.

The State Police Officers' Retirement System provides retirement benefits to Virginia state police officers.

The Judicial Retirement System provides retirement benefits to the Commonwealth's judiciary.

The Virginia Law Officers' Retirement System provides retirement benefits to correctional officers, capital police officers, university police officers, and game wardens.

Political Appointees provides optional retirement benefits to selected officials and administrative staff.

The Public School Superintendents' Plan provides retirement benefits to superintendents in the public school system.

The Virginia Supplemental Retirement Plan provides extra benefits to turn-around specialists in the public school system.

Other Employment Retiree Health Insurance Credit Fund accounts for the health insurance credits provided by the Commonwealth which offset a portion of the retirees' monthly insurance premiums.

Other Employment Group Life Fund provides life insurance coverage to members of the retirement systems.

Other Employment Virginia Sickness and Disability provides income protection to Commonwealth employees for absences caused by sickness or disability.

Other Employment Volunteer Firefighters' and Rescue Squad Workers' Fund provides optional retirement benefits to volunteer firefighters and rescue squad workers.

Investment Trust Fund

Investment Trust Fund reflects the external portion of the investment pool sponsored by the Commonwealth.

Local Government Investment Pool (LGIP) helps local governmental entities maximize their rate of return by commingling their resources for investment purposes.

Agency Funds

Agency Funds report those funds for which the Commonwealth acts solely in a custodial capacity.

Funds for the Collection of Taxes and Fees account for taxes and fees collected by the Commonwealth to be distributed to localities or other states. There are minor adjustments to cash equivalent and investment beginning balances due to reclassifications among these line items.

Employee Benefits Fund accounts for undistributed withholdings for employee benefits.

Contractor Deposit Fund accounts for reimbursable deposits, including both cash and securities, from mining companies, road construction companies, and from motor fuel retailers to ensure performance meets regulatory standards. There are minor adjustments to cash equivalent and investment beginning balances due to reclassifications among these line items.

Deposits of Insurance Carriers Fund accounts for security deposits of insurance carriers as protection to the policy holders of the Commonwealth. There are minor adjustments to cash equivalent and investment beginning balances due to reclassifications among these line items.

Inmate and Ward Fund accounts for the savings of inmates and wards of the Departments of Corrections and Juvenile Justice.

Child Support Collections Fund accounts for court-ordered child support payments that flow through the Department of Social Services.

Mental Health Patient Fund accounts for the savings of patients in the Commonwealth's mental health facilities.

Mental Health Non-patient Fund accounts for the savings of nonpatients in the Commonwealth's mental health facilities.

Comptroller's Debt Setoff Fund accounts for monies held in a suspense status while research is conducted to determine the party entitled to the funds.

Unclaimed Property of Other States Fund accounts for unclaimed property that is due to other states.

Legal Settlement Fund accounts for receipts from court judgments that are deposited and subsequently distributed to the appropriate injured parties. There are minor adjustments to cash equivalent and investment beginning balances due to reclassifications among these line items.

Consumer Services Fund accounts for deposits made by businesses that will provide assistance to individuals suffering losses associated with these businesses and will be returned after dispute resolution. The Milk Commission, which accounts for deposits from milk producers that will be distributed to individual farmers to offset delivery expenses and losses incurred, is reported as part of this fund. There are minor adjustments to cash equivalent and investment beginning balances due to reclassifications among these line items.

Department of State Police Fund accounts for seized assets that are deposited and subsequently distributed to the appropriate parties pursuant to court orders.

Aviation Fund accounts for funds held in lieu of insurance for pilot licensure. There are minor adjustments to cash equivalent and investment beginning balances due to reclassifications among these line items.

Virginia School for the Deaf and the Blind Fund accounts for student funds used to establish new activities for students.

Woodrow Wilson Rehabilitation Center Fund accounts for student funds held by the Center.

Dog and Cat Sterilization Fund accounts for the collections from individual vehicle registrations designated for dog and cat sterilization programs within the locality of residence.

Commuter Rail Fund accounts for funds held in custody for Virginia Railway Express assets. There are minor adjustments to cash equivalent and investment beginning balances due to reclassifications among these line items.

Department of Environmental Quality accounts for deposits from the EPA as a result of a legal settlement which will be distributed to localities to retro-fit school buses.

Combining Statement of Fiduciary Net Assets – Private Purpose Funds

June 30, 2006
(Dollars in Thousands)

	Unclaimed Property	Education Savings Trust Funds	Loan Servicing Reserve
Assets			
Cash and Cash Equivalents	$ 14,114	$ 4,335	$ 533
Investments:			
Bonds and Mortgage Securities	6	-	-
Stocks	113,226	39,049	-
Index and Pooled Funds	-	171,954	-
Mutual and Money Market Funds	31,317	16,218,700	-
Other	281	122,499	-
Total Investments	144,830	16,552,202	-
Receivables:			
Accounts	-	-	-
Interest and Dividends	-	792	-
Total Receivables	-	792	-
Total Assets	158,944	16,557,329	533
Liabilities			
Accounts Payable and Accrued Expenses	250	724	-
Obligations Under Securities Lending Program	456	-	-
Other Liabilities	-	69	-
Compensated Absences Payable	155	-	-
Pension Liability	191	-	-
Total Liabilities	1,052	793	-
Net Assets Held in Trust for Participants	$ 157,892	$ 16,556,536	$ 533

Edvantage Reserve	Virginia Revolving Farm Loan Program	Miscellaneous Trust	Total
$ 894	$ 6,253	$ 36	$ 26,165
-	-	-	6
-	-	-	152,275
-	-	-	171,954
-	-	-	16,250,017
126	883	30	123,819
126	883	30	16,698,071
-	130	-	130
-	-	-	792
-	130	-	922
1,020	7,266	66	16,725,158
-	1	-	975
254	1,777	-	2,487
-	-	-	69
-	10	-	165
-	5	-	196
254	1,793	-	3,892
$ 766	$ 5,473	$ 66	$ 16,721,266

Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Funds

For the Fiscal Year June 30, 2006
(Dollars in Thousands)

	Unclaimed Property	Education Savings Trust Funds	Loan Servicing Reserve
Additions:			
Investment Income:			
Interest, Dividends, and Other Investment Income	$ 27	$ 1,516,408	$ -
Total Investment Income	27	1,516,408	-
Less Investment Expenses	-	14,159	-
Net Investment Income	27	1,502,249	-
Proceeds from Unclaimed Property	9,472	-	-
Contributions:			
Participants	-	4,571,692	-
Total Contributions	-	4,571,692	-
Other Revenue	-	-	-
Total Additions	9,499	6,073,941	-
Deductions:			
Loan Servicing Payments	-	-	7
Tuition Benefits	-	394,580	-
Insurance Premiums and Claims	21,327	-	-
Trust Payments	-	-	-
Administrative Expenses	3,893	13,749	-
Other Expenses	-	-	-
Shares Redeemed	-	680,660	-
Total Deductions	25,220	1,088,989	7
Net Increase (Decrease)	(15,721)	4,984,952	(7)
Net Assets Held in Trust for Participants			
July 1	173,613	11,571,584	540
June 30	$ 157,892	$ 16,556,536	$ 533

Edvantage Reserve	Virginia Revolving Farm Loan Program	Miscellaneous Trust	Total
$ 73	$ 242	$ 3	$ 1,516,753
73	242	3	1,516,753
-	-	-	14,159
73	242	3	1,502,594
-	-	-	9,472
-	-	-	4,571,692
-	-	-	4,571,692
10	-	-	10
83	242	3	6,083,768
-	81	-	88
-	-	-	394,580
-	-	-	21,327
-	-	3	3
-	46	-	17,688
1,015	-	-	1,015
-	-	-	680,660
1,015	127	3	1,115,361
(932)	115	-	4,968,407
1,698	5,358	66	11,752,859
$ 766	$ 5,473	$ 66	$ 16,721,266

Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds

June 30, 2006
(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System	Virginia Law Officers' Retirement System
Assets				
Cash and Cash Equivalents	$ 293,834	$ 3,679	$ 2,064	$ 4,436
Investments:				
Bonds and Mortgage Securities	9,861,580	124,191	69,672	149,750
Stocks	15,452,627	194,601	109,173	234,651
Fixed Income Commingled Funds	2,044,494	25,747	14,445	31,046
Index and Pooled Funds	13,682,893	172,314	96,671	207,777
Real Estate	1,438,825	18,120	10,165	21,849
Private Equity	2,555,644	32,184	18,056	38,808
Short-term Investments	1,304,012	16,422	9,213	19,801
Other	3,792,069	47,755	26,791	57,583
Total Investments	50,132,144	631,334	354,186	761,265
Receivables:				
Contributions	110,711	-	-	266
Interest and Dividends	133,599	1,682	944	2,029
Security Transactions	1,738,197	21,889	12,281	26,395
Other Receivables	77,673	959	538	1,156
Total Receivables	2,060,180	24,530	13,763	29,846
Due from External Parties (Fiduciary Funds)	2,432	2,650	2,195	2,518
Furniture and Equipment	6,780	-	-	-
Total Assets	52,495,370	662,193	372,208	798,065
Liabilities				
Accounts Payable and Accrued Expenses	134,961	1,690	948	2,038
Due to External Parties (Fiduciary Funds)	13,201	-	-	54
Obligations Under Securities Lending Program	3,792,069	47,755	26,791	57,583
Other Liabilities	3,653	22	12	27
Retirement Benefits Payable	171,653	2,735	2,155	2,442
Refunds Payable	5,684	-	-	283
Compensated Absences Payable	1,410	-	-	-
Insurance Premiums and Claims Payable	-	-	-	-
Payable for Security Transactions	2,352,005	29,620	16,617	35,716
Pension Liability	1,613	19	11	9
Total Liabilities	6,476,249	81,841	46,534	98,152
Net Assets Held in Trust for Pension/Other Employment Benefits, Pool Participants and Other Purposes	$ 46,019,121	$ 580,352	$ 325,674	$ 699,913

Political Appointees	Public School Superintendents	Virginia Supplemental Retirement Plan	Other Employment Retiree Health Insurance Credit	Other Employment Group Life	Other Employment Virginia Sickness and Disability	Other Employment Volunteer Firefighters and Rescue Squad Workers	Total
$ -	$ -	$ -	$ 1,113	$ 4,965	$ 1,228	$ -	$ 311,319
1,151	20	26	37,558	167,570	41,446	-	10,452,964
2,772	-	-	58,852	262,574	64,944	-	16,380,194
-	-	-	7,787	34,740	8,592	-	2,166,851
598	-	-	52,112	232,501	57,506	-	14,502,372
-	-	-	5,480	24,449	6,047	-	1,524,935
-	-	-	9,733	43,426	10,741	-	2,708,592
-	-	-	4,966	22,158	5,481	-	1,382,053
-	-	-	14,442	64,436	15,937	983	4,019,996
4,521	20	26	190,930	851,854	210,694	983	53,137,957
-	-	-	3,808	7	417	-	115,209
-	-	-	509	2,271	561	-	141,595
-	-	-	6,620	29,536	7,305	-	1,842,223
-	-	-	306	1,294	2,160	-	84,086
-	-	-	11,243	33,108	10,443	-	2,183,113
-	-	-	5,837	-	-	-	15,632
-	-	-	-	-	-	-	6,780
4,521	20	26	209,123	889,927	222,365	983	55,654,801
-	-	-	6,720	2,282	3,989	-	152,628
-	-	-	858	907	612	-	15,632
-	-	-	14,442	64,436	15,937	-	4,019,013
-	-	-	7	31	7	-	3,759
-	-	-	-	-	-	-	178,985
-	-	-	70	2	63	-	6,102
-	-	-	-	-	-	-	1,410
-	-	-	-	30,943	-	-	30,943
-	-	-	8,958	39,965	9,885	-	2,492,766
-	-	-	28	64	43	-	1,787
-	-	-	31,083	138,630	30,536	-	6,903,025
$ 4,521	$ 20	$ 26	$ 178,040	$ 751,297	$ 191,829	$ 983	$ 48,751,776

Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System	Virginia Law Officers' Retirement System	Political Appointees
Additions:					
Investment Income:					
Interest, Dividends, and Other					
Investment Income	$ 5,420,367	$ 68,230	$ 38,018	$ 77,293	$ 320
Total Investment Income	5,420,367	68,230	38,018	77,293	320
Less Investment Expenses	377,792	4,755	2,650	5,388	-
Net Investment Income	5,042,575	63,475	35,368	71,905	320
Contributions:					
Member	38,825	304	108	534	439
Employer	1,420,011	19,884	18,859	68,154	343
Total Contributions	1,458,836	20,188	18,967	68,688	782
Other Revenue	185	-	-	-	-
Total Additions	6,501,596	83,663	54,335	140,593	1,102
Deductions:					
Retirement Benefits	2,015,557	32,309	24,717	29,202	349
Refunds to Former Members	85,804	596	-	4,830	-
Retiree Health Insurance Credits	-	-	-	-	-
Insurance Premiums and Claims	-	-	-	-	-
Administrative Expenses	19,843	232	131	265	12
Other Expenses	3	-	-	-	-
Long-term Disability Benefits	-	-	-	-	-
Total Deductions	2,121,207	33,137	24,848	34,297	361
Transfers:					
Transfers In	-	-	-	255	-
Transfers Out	(255)	-	-	-	-
Total Transfers	(255)	-	-	255	-
Net Increase (Decrease)	4,380,134	50,526	29,487	106,551	741
Net Assets Held in Trust for Pension/Other Employment Benefits, Pool Participants and Other Purposes					
July 1	41,638,987	529,826	296,187	593,362	3,780
June 30	$ 46,019,121	$ 580,352	$ 325,674	$ 699,913	$ 4,521

Public School Superintendents	Virginia Supplemental Retirement Plan	Other Employment Retiree Health Insurance Credit	Other Employment Group Life	Other Employment Virginia Sickness and Disability	Other Employment Volunteer Firefighters and Rescue Squad Workers	Total
$ -	$ -	$ 18,292	$ 99,094	$ 18,878	$ 95	$ 5,740,587
-	-	18,292	99,094	18,878	95	5,740,587
-	-	1,274	6,907	1,316	-	400,082
-	-	17,018	92,187	17,562	95	5,340,505
20	26	-	32	-	51	40,339
-	-	86,913	20	57,991	79	1,672,254
20	26	86,913	52	57,991	130	1,712,593
-	-	-	-	-	-	185
20	26	103,931	92,239	75,553	225	7,053,283
-	-	-	-	-	-	2,102,134
-	-	-	-	-	2	91,232
-	-	72,482	-	-	-	72,482
-	-	-	111,490	-	-	111,490
-	-	339	720	579	-	22,121
-	-	-	489	-	-	492
-	-	-	-	27,339	-	27,339
-	-	72,821	112,699	27,918	2	2,427,290
-	-	-	-	-	-	255
-	-	-	-	-	-	(255)
-	-	-	-	-	-	-
20	26	31,110	(20,460)	47,635	223	4,625,993
-	-	146,930	771,757	144,194	760	44,125,783
$ 20	$ 26	$ 178,040	$ 751,297	$ 191,829	$ 983	$ 48,751,776

Combining Statement of Fiduciary Net Assets – Investment Trust Funds

June 30, 2006
(Dollars in Thousands)

	Local Government Investment Pool (LGIP)	Total
Assets		
Cash and Cash Equivalents	$ 1,739,690	$ 1,739,690
Investments:		
Bonds and Mortgage Securities	83,894	83,894
Short-term Investments	852,862	852,862
Total Investments	936,756	936,756
Receivables:		
Interest and Dividends	10,403	10,403
Total Receivables	10,403	10,403
Total Assets	2,686,849	2,686,849
Liabilities		
Due to Internal Parties (Governmental Funds and Business-type Activities)	8	8
Total Liabilities	8	8
Net Assets Held in Trust for		
Pool Participants	$ 2,686,841	$ 2,686,841

Combining Statement of Changes in Fiduciary Net Assets - Investment Trust Funds

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Local Government Investment Pool (LGIP)	Total
Additions:		
Investment Income:		
Interest, Dividends, and Other		
Investment Income	$ 85,765	$ 85,765
Distributions to Shareholders from Net Investment Income	(85,877)	(85,877)
Total Investment Income	(112)	(112)
Less Investment Expenses	-	-
Net Investment Income	(112)	(112)
Shares Sold	4,160,562	4,160,562
Reinvested Distributions	85,877	85,877
Total Additions	4,246,327	4,246,327
Deductions:		
Shares Redeemed	(3,858,163)	(3,858,163)
Total Deductions	(3,858,163)	(3,858,163)
Net Increase	388,164	388,164
Net Assets Held in Trust for Pool Participants		
July 1, as restated	2,298,677	2,298,677
June 30	$ 2,686,841	$ 2,686,841

Combining Statement of Fiduciary Net Assets – Agency Funds

June 30, 2006
(Dollars in Thousands)

	Funds for the Collection of Taxes	Employee Benefits	Contractor Deposits
Assets			
Cash and Cash Equivalents	$ 121,675	$ 4,739	$ 31,549
Investments:			
Short-term Investments	160	-	1,508
Other	-	-	-
Total Investments	160	-	1,508
Receivables:			
Accounts	122,761	-	-
Total Receivables	122,761	-	-
Due from Internal Parties (Governmental and Business Type Activities)	-	-	-
Other Assets	-	-	-
Total Assets	$ 244,596	$ 4,739	$ 33,057
Liabilities			
Accounts Payable and Accrued Expenses	$ -	$ 4,739	$ -
Amounts Due to Other Governments	244,274	-	-
Due to Internal Parties (Governmental and Business Type Activities)	-	-	-
Obligations Under Securities Lending Program	322	-	3,031
Other Liabilities	-	-	30,026
Insurance Premiums and Claims Payable	-	-	-
Total Liabilities	$ 244,596	$ 4,739	$ 33,057

Deposits of Insurance Carriers	Inmate and Ward	Child Support Collection	Mental Health Patient	Mental Health Non-Patient	Comptroller's Debt Setoff	Unclaimed Property of Other States	Legal Settlement
$ 13,149	$ 6,836	$ 14,275	$ 2,299	$ 20	$ 945	$ 1,500	$ 1,013
77,727	-	-	-	-	-	-	22
309,560	-	-	97	-	-	-	-
387,287	-	-	97	-	-	-	22
15	236	-	-	-	-	-	-
15	236	-	-	-	-	-	-
-	3	-	-	-	-	-	-
-	-	-	-	-	-	3,060	-
$ 400,451	$ 7,075	$ 14,275	$ 2,396	$ 20	$ 945	$ 4,560	$ 1,035
$ -	$ 6,461	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	4,560	-
-	30	3,470	-	-	-	-	-
-	-	-	-	-	-	-	44
400,451	584	10,805	2,396	20	945	-	991
-	-	-	-	-	-	-	-
$ 400,451	$ 7,075	$ 14,275	$ 2,396	$ 20	$ 945	$ 4,560	$ 1,035

Continued on next page

Combining Statement of Fiduciary Net Assets – Agency Funds *(Continued from previous page)*

June 30, 2006
(Dollars in Thousands)

	Consumer Services	Department of State Police	Aviation
Assets			
Cash and Cash Equivalents	$ 846	$ 874	$ 107
Investments:			
Short-term Investments	-	-	-
Other	-	-	-
Total Investments	-	-	-
Receivables:			
Accounts	-	-	-
Total Receivables	-	-	-
Due from Internal Parties (Governmental and Business Type Activities)	-	-	-
Other Assets	-	-	-
Total Assets	$ 846	$ 874	$ 107
Liabilities			
Accounts Payable and Accrued Expenses	$ 2	$ -	$ -
Amounts Due to Other Governments	-	-	-
Due to Internal Parties (Governmental and Business Type Activities)	-	-	-
Obligations Under Securities Lending Program	-	-	-
Other Liabilities	844	874	107
Insurance Premiums and Claims Payable	-	-	-
Total Liabilities	$ 846	$ 874	$ 107

Virginia School for the Deaf and Blind	Woodrow Wilson Rehabilitation Center	Dog and Cat Sterilization	Commuter Rail	Department of Environmental Quality	Total
$ 29	$ 21	$ 2	$ 12,017	$ 546	$ 212,442
-	-	-	1,699	-	81,116
-	-	-	-	-	309,657
-	-	-	1,699	-	390,773
-	-	-	-	-	123,012
-	-	-	-	-	123,012
-	-	-	-	-	3
-	-	-	-	-	3,060
$ 29	$ 21	$ 2	$ 13,716	$ 546	$ 729,290
$ -	$ -	$ -	$ -	$ -	$ 11,202
-	-	2	-	-	248,836
-	-	-	-	-	3,500
-	-	-	3,415	-	6,812
29	21	-	9,910	546	458,549
-	-	-	391	-	391
$ 29	$ 21	$ 2	$ 13,716	$ 546	$ 729,290

Combining Statement of Changes in Assets and Liabilities – Agency Funds

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Balance July 1, as restated	Additions	Deletions	Balance June 30
Funds for the Collection of Taxes and Fees				
Assets:				
Cash and Cash Equivalents	$ 157,528	$ 1,413,654	$ 1,449,507	$ 121,675
Short-term Investments	44	160	44	160
Accounts Receivable	57,702	122,761	57,702	122,761
Total Assets	$ 215,274	$ 1,536,575	$ 1,507,253	$ 244,596
Liabilities:				
Amounts Due to Other Governments	$ 215,024	$ 1,536,253	$ 1,507,003	$ 244,274
Obligations Under Securities Lending Program	250	322	250	322
Total Liabilities	$ 215,274	$ 1,536,575	$ 1,507,253	$ 244,596
Employee Benefits				
Assets:				
Cash and Cash Equivalents	$ 4,295	$ 222,737	$ 222,293	$ 4,739
Total Assets	$ 4,295	$ 222,737	$ 222,293	$ 4,739
Liabilities:				
Accounts Payable and Accrued Expenses	$ 4,295	$ 222,737	$ 222,293	$ 4,739
Total Liabilities	$ 4,295	$ 222,737	$ 222,293	$ 4,739
Contractors Deposit				
Assets:				
Cash and Cash Equivalents	$ 28,050	$ 12,387	$ 8,888	$ 31,549
Short-term Investments	428	1,508	428	1,508
Total Assets	$ 28,478	$ 13,895	$ 9,316	$ 33,057
Liabilities:				
Obligations Under Securities Lending Program	$ 2,440	$ 3,031	$ 2,440	$ 3,031
Other Liabilities	26,038	10,864	6,876	30,026
Total Liabilities	$ 28,478	$ 13,895	$ 9,316	$ 33,057
Deposits of Insurance Carriers				
Assets:				
Cash and Cash Equivalents	$ 12,095	$ 46,695	$ 45,641	$ 13,149
Short-term Investments	71,198	77,727	71,198	77,727
Other Investments	325,818	22,077	38,335	309,560
Accounts Receivable	11	583	579	15
Total Assets	$ 409,122	$ 147,082	$ 155,753	$ 400,451
Liabilities:				
Other Liabilities	$ 409,122	$ 147,082	$ 155,753	$ 400,451
Total Liabilities	$ 409,122	$ 147,082	$ 155,753	$ 400,451

	Balance July 1, as restated	Additions	Deletions	Balance June 30
Inmate and Ward				
Assets:				
Cash and Cash Equivalents	$ 5,795	$ 6,378	$ 5,337	$ 6,836
Short-term Investments	1,179	-	1,179	-
Accounts Receivable	264	227	255	236
Due from Internal Parties (Governmental Funds and Business-type Activities)	-	3	-	3
Total Assets	$ 7,238	$ 6,608	$ 6,771	$ 7,075
Liabilities:				
Accounts Payable and Accrued Expenses	$ 1,701	$ 6,461	$ 1,701	$ 6,461
Due to Internal Parties (Governmental Funds and Business-type Activities)	-	30	-	30
Other Liabilities	5,537	117	5,070	584
Total Liabilities	$ 7,238	$ 6,608	$ 6,771	$ 7,075
Child Support Collections				
Assets:				
Cash and Cash Equivalents	$ 12,042	$ 577,391	$ 575,158	$ 14,275
Total Assets	$ 12,042	$ 577,391	$ 575,158	$ 14,275
Liabilities:				
Due to Internal Parties (Governmental Funds and Business-type Activities)	$ 3,766	$ 3,470	$ 3,766	$ 3,470
Other Liabilities	8,276	573,921	571,392	10,805
Total Liabilities	$ 12,042	$ 577,391	$ 575,158	$ 14,275
Mental Health Patient				
Assets:				
Cash and Cash Equivalents	$ 1,827	$ 3,176	$ 2,704	$ 2,299
Short-term Investments	541	-	541	-
Other Investments	-	120	23	97
Total Assets	$ 2,368	$ 3,296	$ 3,268	$ 2,396
Liabilities:				
Other Liabilities	$ 2,368	$ 3,296	$ 3,268	$ 2,396
Total Liabilities	$ 2,368	$ 3,296	$ 3,268	$ 2,396

Continued on next page

Combining Statement of Changes in Assets and Liabilities –
Agency Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Balance July 1, as restated	Additions	Deletions	Balance June 30
Mental Health Non-Patient				
Assets:				
Cash and Cash Equivalents	$ 22	$ 2	$ 4	$ 20
Total Assets	$ 22	$ 2	$ 4	$ 20
Liabilities:				
Other Liabilities	$ 22	$ 2	$ 4	$ 20
Total Liabilities	$ 22	$ 2	$ 4	$ 20
Comptrollers Debt Setoff				
Assets:				
Cash and Cash Equivalents	$ 821	$ 15,980	$ 15,856	$ 945
Total Assets	$ 821	$ 15,980	$ 15,856	$ 945
Liabilities:				
Other Liabilities	$ 821	$ 15,980	$ 15,856	$ 945
Total Liabilities	$ 821	$ 15,980	$ 15,856	$ 945
Unclaimed Property of Other States				
Assets:				
Cash and Cash Equivalents	$ 1,565	$ 773	$ 838	$ 1,500
Other Assets	1,560	1,500	-	3,060
Total Assets	$ 3,125	$ 2,273	$ 838	$ 4,560
Liabilities:				
Amounts Due to Other Governments	$ 3,125	$ 2,273	$ 838	$ 4,560
Total Liabilities	$ 3,125	$ 2,273	$ 838	$ 4,560
Legal Settlement				
Assets:				
Cash and Cash Equivalents	$ 1,536	$ 451	$ 974	$ 1,013
Short-term Investments	18	22	18	22
Total Assets	$ 1,554	$ 473	$ 992	$ 1,035
Liabilities:				
Obligations Under Securities Lending Program	$ 103	$ 44	$ 103	$ 44
Other Liabilities	1,451	429	889	991
Total Liabilities	$ 1,554	$ 473	$ 992	$ 1,035

	Balance July 1, as restated	Additions	Deletions	Balance June 30
Consumer Services				
Assets:				
Cash and Cash Equivalents	$ 756	$ 363	$ 273	$ 846
Total Assets	$ 756	$ 363	$ 273	$ 846
Liabilities:				
Accounts Payable and Accrued Expenses	$ 49	$ 13	$ 60	$ 2
Other Liabilities	707	350	213	844
Total Liabilities	$ 756	$ 363	$ 273	$ 846
Department of State Police				
Assets:				
Cash and Cash Equivalents	$ 1,015	$ 1,211	$ 1,352	$ 874
Short-term Investments	123	-	123	-
Total Assets	$ 1,138	$ 1,211	$ 1,475	$ 874
Liabilities:				
Other Liabilities	$ 1,138	$ 1,211	$ 1,475	$ 874
Total Liabilities	$ 1,138	$ 1,211	$ 1,475	$ 874
Aviation				
Assets:				
Cash and Cash Equivalents	$ 170	$ 2	$ 65	$ 107
Total Assets	$ 170	$ 2	$ 65	$ 107
Liabilities:				
Other Liabilities	$ 170	$ 2	$ 65	$ 107
Total Liabilities	$ 170	$ 2	$ 65	$ 107
Virginia School for the Deaf and Blind				
Assets:				
Cash and Cash Equivalents	$ 29	$ 15	$ 15	$ 29
Total Assets	$ 29	$ 15	$ 15	$ 29
Liabilities:				
Other Liabilities	$ 29	$ 15	$ 15	$ 29
Total Liabilities	$ 29	$ 15	$ 15	$ 29

Continued on next page

Combining Statement of Changes in Assets and Liabilities –
Agency Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Balance July 1, as restated	Additions	Deletions	Balance June 30
Woodrow Wilson Rehabilitation Center				
Assets:				
Cash and Cash Equivalents	$ 6	$ 74	$ 59	$ 21
Total Assets	$ 6	$ 74	$ 59	$ 21
Liabilities:				
Other Liabilities	$ 6	$ 74	$ 59	$ 21
Total Liabilities	$ 6	$ 74	$ 59	$ 21
Dog and Cat Sterilization				
Assets:				
Cash and Cash Equivalents	$ 2	$ 149	$ 149	$ 2
Total Assets	$ 2	$ 149	$ 149	$ 2
Liabilities:				
Amounts Due to Other Governments	$ 2	$ 149	$ 149	$ 2
Total Liabilities	$ 2	$ 149	$ 149	$ 2
Commuter Rail				
Assets:				
Cash and Cash Equivalents	$ 4,492	$ 12,237	$ 4,712	$ 12,017
Short-term Investments	9,468	2,266	10,035	1,699
Other Assets	50	-	50	-
Total Assets	$ 14,010	$ 14,503	$ 14,797	$ 13,716
Liabilities:				
Obligations Under Securities Lending Program	$ 985	$ 3,415	$ 985	$ 3,415
Other Liabilities	12,767	10,955	13,812	9,910
Insurance Premiums and Claims Payable	258	133	-	391
Total Liabilities	$ 14,010	$ 14,503	$ 14,797	$ 13,716
Department of Environmental Quality				
Assets:				
Cash and Cash Equivalents	$ 1,656	$ 2,998	$ 4,108	$ 546
Total Assets	$ 1,656	$ 2,998	$ 4,108	$ 546
Liabilities:				
Other Liabilities	$ 1,656	$ 2,998	$ 4,108	$ 546
Total Liabilities	$ 1,656	$ 2,998	$ 4,108	$ 546

	Balance July 1, as restated	Additions	Deletions	Balance June 30
Totals-Agency Funds				
Assets:				
Cash and Cash Equivalents	$ 233,702	$ 2,316,673	$ 2,337,933	$ 212,442
Short-term Investments	82,999	81,683	83,566	81,116
Other Investments	325,818	22,197	38,358	309,657
Accounts Receivable	57,977	123,571	58,536	123,012
Due from Internal Parties (Governmental Funds and Business-type Activities)	-	3	-	3
Other Assets	1,610	1,500	50	3,060
Total Assets	$ 702,106	$ 2,545,627	$ 2,518,443	$ 729,290
Liabilities:				
Accounts Payable and Accrued Expenses	$ 6,045	$ 229,211	$ 224,054	$ 11,202
Amounts Due to Other Governments	218,151	1,538,675	1,507,990	248,836
Due to Internal Parties (Governmental Funds and Business-type Activities)	3,766	3,500	3,766	3,500
Obligations Under Securities Lending Program	3,778	6,812	3,778	6,812
Other Liabilities	470,108	767,296	778,855	458,549
Insurance Premiums and Claims Payable	258	133	-	391
Total Liabilities	$ 702,106	$ 2,545,627	$ 2,518,443	$ 729,290

Nonmajor Component Units

Component Units are organizations that are legally separate from the Commonwealth of Virginia. Each discrete Component Unit serves or benefits those outside of the primary government.

The Virginia Economic Development Partnership works to enhance and increase the Commonwealth's commerce and trade.

The Virginia Outdoors Foundation promotes preservation and fund raising for the purchase of preservation land.

The Virginia Port Authority is empowered to maintain and operate Virginia's harbors and ports.

The Virginia Resources Authority provides financing for the construction of local water supply and wastewater treatment facilities and other local infrastructure projects.

The Virginia Tourism Authority promotes tourism and film production industries of the Commonwealth.

The Virginia Tobacco Settlement Foundation determines the appropriate recipients of monies in the Virginia Tobacco Settlement Fund.

The Tobacco Indemnification and Community Revitalization Commission determines the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund.

The Hampton Roads Sanitation District Commission operates a sewage system for 17 localities in the Chesapeake Bay Area.

The Virginia Biotechnology Research Park Authority assists in the development of a biotechnology research park.

The Virginia Small Business Financing Authority assists small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses.

The Virginia School for the Deaf and Blind Foundation operates exclusively for the benefit of the Virginia Schools for the Deaf and Blind.

The Science Museum of Virginia Foundation operates to implement and fund projects and operations of the Science Museum of Virginia.

The Virginia Museum of Fine Arts Foundation implements and funds programs, projects, and operations of the Virginia Museum of Fine Arts.

The A. L. Philpott Manufacturing Extension Partnership promotes industrial expansion by providing consulting services to manufacturers.

The Virginia Equine Center Foundation operates the Equine Center for the benefit of the equine industry.

The Certified Nursing Facility Education Initiative provides early on-site training and assistance to certified nursing facilities to help identify and correct deficiencies.

Assistive Technology Loan Fund Authority provides assistance with loans and in the purchase of assistive technology or other equipment to enable Virginians with disabilities to become more independent.

The Virginia Land Conservation Foundation acquires interests in preservation land and provides grants to other entities to acquire interests in preservation land.

The Virginia Arts Foundation works to promote the arts in the Commonwealth.

The Library of Virginia Foundation promotes and supports the Library of Virginia.

The Higher Education Institutions account for the resources received and used in the operation of the Commonwealth's institutions of higher education and medical teaching hospitals.

Other Higher Education includes:

The College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science
Virginia Military Institute
Virginia State University
Norfolk State University
University of Mary Washington
James Madison University
Radford University
Old Dominion University
George Mason University
Virginia Community College System
Christopher Newport University
Longwood University
Southwest Virginia Higher Education Center
Roanoke Higher Education Authority
Innovative Technology Authority
Institute for Advanced Learning and Research
Southern Virginia Higher Education Center
Virginia College Building Authority

Combining Statement of Net Assets – Nonmajor Component Units

June 30, 2006
(Dollars in Thousands)

	Virginia Economic Development Partnership	Virginia Outdoors Foundation	Virginia Port Authority	Virginia Resources Authority
Assets				
Cash and Cash Equivalents	$ 2,189	$ 2,810	$ 30,852	$ 1,734
Investments	-	-	-	2,596
Receivables, Net	-	85	26,689	1,928,806
Contributions Receivable, Net	-	-	-	-
Due from Primary Government	-	-	-	-
Due from Component Units	-	-	-	-
Inventory	-	-	12,249	-
Prepaid Items	195	15	14,331	-
Other Assets	314	-	6,742	11
Loans Receivable from Primary Government	-	-	-	-
Restricted Cash and Cash Equivalents	-	3,749	40,803	212,906
Restricted Investments	-	-	66,957	291,701
Other Restricted Assets	-	-	-	-
Nondepreciable Capital Assets	-	5,807	187,833	-
Depreciable Capital Assets, Net	643	183	468,256	46
Total Assets	3,341	12,649	854,712	2,437,800
Liabilities				
Accounts Payable	269	106	18,877	75
Amounts Due to Other Governments	-	-	-	-
Due to Component Units	-	-	-	-
Unearned Revenue	-	-	-	607
Obligations Under Securities Lending Program	-	-	2,753	-
Other Liabilities	-	24	10,518	13,356
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	536	57	27,843	49,905
Due in More Than One Year	1,787	96	428,356	1,331,979
Total Liabilities	2,592	283	488,347	1,395,922
Net Assets				
Invested in Capital Assets, Net of Related Debt	643	5,990	243,872	46
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	-	-	-	-
Expendable:				
Higher Education	-	-	-	-
Virginia Pooled Investment Program	-	-	-	5,357
Capital Projects / Construction / Capital Acquisition	-	-	-	1,032,606
Debt Service	-	-	70,265	-
Other	-	-	-	-
Unrestricted	106	6,376	52,228	3,869
Total Net Assets	$ 749	$ 12,366	$ 366,365	$ 1,041,878

Virginia Tourism Authority	Virginia Tobacco Settlement Foundation	Tobacco Indemnification and Community Revitalization Commission	Hampton Roads Sanitation District Commission	Virginia Biotechnology Research Park Authority	Virginia Small Business Financing Authority	Virginia School for the Deaf and Blind Foundation
$ 2,572	$ 8,456	$ 72,811	$ 7,435	$ 1,771	$ 11,951	$ 52
-	1,195	8,325	68,965	-	1,063	2,745
-	-	21	17,335	52,385	12,626	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
247	-	5	-	21	-	-
3	7	2,920	2,189	319	-	-
-	-	-	-	-	-	-
-	-	9,452	7,817	-	3,003	-
-	-	362,797	-	-	-	-
-	-	2,881	-	-	-	-
-	-	-	73,762	5,827	-	-
130	-	8	352,865	17,575	-	-
2,952	9,658	459,220	530,368	77,898	28,643	2,797
417	39	32	12,554	88	22	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
217	-	-	-	434	-	-
-	2,403	16,738	-	-	2,138	-
-	609	5,309	3,256	741	3,003	-
-	-	-	-	-	-	-
196	31	16	15,540	3,229	-	-
578	116	74	136,247	61,699	34	-
1,408	3,198	22,169	167,597	66,191	5,197	-
130	-	8	282,177	11,382	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	7,817	-	-	-
-	-	372,249	-	-	-	-
1,414	6,460	64,794	72,777	325	23,446	2,797
$ 1,544	$ 6,460	$ 437,051	$ 362,771	$ 11,707	$ 23,446	$ 2,797

Continued on next page

Combining Statement of Net Assets – Nonmajor Component Units *(Continued from previous page)*

June 30, 2006
(Dollars in Thousands)

	Science Museum of Virginia Foundation	Virginia Museum of Fine Arts Foundation	A. L. Philpott Manufacturing Extension Partnership	Virginia Equine Center Foundation
Assets				
Cash and Cash Equivalents	$ 20	$ 1,415	$ 1,930	$ 310
Investments	1,388	5,711	-	-
Receivables, Net	6	1,300	506	234
Contributions Receivable, Net	1,004	37,160	-	56
Due from Primary Government	-	-	-	-
Due from Component Units	-	-	-	-
Inventory	-	-	-	95
Prepaid Items	37	-	-	448
Other Assets	-	1,163	-	21
Loans Receivable from Primary Government	270	-	-	-
Restricted Cash and Cash Equivalents	765	76	-	261
Restricted Investments	9,244	199,760	-	1,595
Other Restricted Assets	1,534	-	-	-
Nondepreciable Capital Assets	379	54	-	2,875
Depreciable Capital Assets, Net	493	1,407	6	12,036
Total Assets	15,140	248,046	2,442	17,931
Liabilities				
Accounts Payable	1	195	232	392
Amounts Due to Other Governments	-	-	-	-
Due to Component Units	-	-	-	-
Unearned Revenue	-	-	172	58
Obligations Under Securities Lending Program	-	-	-	-
Other Liabilities	-	-	-	481
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	-	1,181	151	579
Due in More Than One Year	711	37,210	-	15,085
Total Liabilities	712	38,586	555	16,595
Net Assets				
Invested in Capital Assets, Net of Related Debt	872	832	6	(439)
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	5,286	79,753	-	-
Expendable:				
Higher Education	-	-	-	-
Virginia Pooled Investment Program	-	-	-	-
Capital Projects / Construction / Capital Acquisition	-	-	-	-
Debt Service	-	-	-	1,790
Other	6,557	98,149	-	126
Unrestricted	1,713	30,726	1,881	(141)
Total Net Assets	$ 14,428	$ 209,460	$ 1,887	$ 1,336

Certified Nursing Facility Education Initiative	Assistive Technology Loan Fund Authority	Virginia Land Conservation Foundation	Virginia Arts Foundation	Library of Virginia Foundation	College of William and Mary	Virginia Military Institute
$ 13	$ 11,355	$ 14,849	$ 510	$ 190	$ 29,294	$ 17,207
-	-	2,098	72	3,946	18,299	72,487
-	415	-	-	7	16,146	2,326
-	-	-	-	138	26,213	22,384
-	-	-	-	-	16	659
-	-	-	-	-	120	2,506
-	-	-	-	-	596	3,311
-	8	-	-	11	1,350	717
-	-	-	-	-	1,131	331
-	-	-	-	-	-	-
-	-	-	-	68	36,199	-
-	-	-	-	368	426,610	248,159
-	-	-	-	-	85,877	4,277
-	-	-	-	-	179,207	59,021
2	42	-	-	-	213,076	51,869
15	11,820	16,947	582	4,728	1,034,134	485,254
-	37	6	-	15	28,310	8,751
-	-	-	-	-	-	1,260
-	-	-	-	-	-	-
-	-	-	-	-	6,507	937
-	-	4,219	145	-	1,979	1,350
-	89	-	-	-	15,651	1,972
-	-	-	-	-	-	-
-	4	-	-	-	13,690	2,530
-	-	-	-	-	125,570	34,093
-	130	4,225	145	15	191,707	50,893
2	42	-	-	-	295,532	88,915
-	-	-	-	-	316,962	100,784
-	-	-	-	175	-	-
-	-	-	-	-	186,574	180,399
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	394	-	-
13	11,648	12,722	437	4,144	43,359	64,263
$ 15	$ 11,690	$ 12,722	$ 437	$ 4,713	$ 842,427	$ 434,361

Continued on next page

Combining Statement of Net Assets – Nonmajor Component Units *(Continued from previous page)*

June 30, 2006
(Dollars in Thousands)

	Virginia State University	Norfolk State University	University of Mary Washington	James Madison University
Assets				
Cash and Cash Equivalents	$ 31,181	$ 13,449	$ 12,783	$ 68,745
Investments	6,888	3,747	1,441	13,978
Receivables, Net	4,012	4,460	940	6,790
Contributions Receivable, Net	-	2,369	5,169	6,844
Due from Primary Government	83	1,593	347	-
Due from Component Units	425	2,457	40	2,014
Inventory	-	-	627	773
Prepaid Items	2,751	511	8	4,940
Other Assets	38	1,970	437	50
Loans Receivable from Primary Government	-	-	-	-
Restricted Cash and Cash Equivalents	11,749	35,628	6,548	74
Restricted Investments	13,658	9,554	30,210	45,503
Other Restricted Assets	-	-	671	-
Nondepreciable Capital Assets	22,576	50,508	33,239	45,969
Depreciable Capital Assets, Net	77,330	84,141	96,839	353,497
Total Assets	170,691	210,387	189,299	549,177
Liabilities				
Accounts Payable	6,114	8,348	7,400	16,163
Amounts Due to Other Governments	-	-	-	-
Due to Component Units	-	-	-	-
Unearned Revenue	3,035	3,041	1,552	8,042
Obligations Under Securities Lending Program	7,546	2,432	386	13,935
Other Liabilities	2,966	5,516	2,258	6,972
Loans Payable to Primary Government	-	984	709	-
Long-term Liabilities:				
Due Within One Year	2,715	4,009	2,981	19,659
Due in More Than One Year	41,303	90,556	41,753	101,458
Total Liabilities	63,679	114,886	57,039	166,229
Net Assets				
Invested in Capital Assets, Net of Related Debt	72,669	83,539	94,554	295,020
Restricted For:				
Nonexpendable:				
Higher Education	5,907	8,138	18,042	28,778
Other	-	-	-	-
Expendable:				
Higher Education	9,050	4,316	10,378	24,640
Virginia Pooled Investment Program	-	-	-	-
Capital Projects / Construction / Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Other	-	-	-	-
Unrestricted	19,386	(492)	9,286	34,510
Total Net Assets	$ 107,012	$ 95,501	$ 132,260	$ 382,948

Radford University	Old Dominion University	George Mason University	Virginia Community College System	Christopher Newport University	Longwood University	Southwest Virginia Higher Education Center
$ 53,126	$ 55,344	$ 76,120	$ 95,426	$ 13,281	$ 32,055	$ 427
6,506	16,072	16,676	12,000	1,516	12,039	-
5,990	25,904	20,712	11,660	3,917	2,748	2,585
2,000	4,479	10,468	10,748	8,047	601	-
39	1,403	241	2,851	-	94	-
284	3,505	814	4,547	284	601	-
428	600	99	1,920	1,159	630	-
1,147	1,213	2,429	5,813	8	344	-
120	1,732	4,436	134	1,185	790	-
-	-	-	-	-	-	-
866	40,125	38,958	12,425	7,877	24,113	-
26,645	155,379	74,588	86,774	4,697	33,783	-
111	-	9,802	-	658	214	-
38,665	88,142	144,621	90,345	70,738	23,158	51
88,089	249,809	371,053	431,482	232,175	115,315	9,324
224,016	643,707	771,017	766,125	345,542	246,485	12,387
10,553	32,399	39,574	28,905	6,320	5,999	2,544
-	-	-	4,975	-	-	-
-	-	-	-	-	-	-
2,352	9,888	24,113	18,828	678	1,668	-
11,760	7,655	13,153	176	2,238	8,446	-
3,673	4,485	10,879	3,297	16,795	11,910	1
-	-	8,000	670	200	-	-
2,540	10,872	15,080	19,607	10,515	2,704	66
9,710	207,443	268,709	102,764	160,712	44,086	10
40,588	272,742	379,508	179,222	197,458	74,813	2,621
125,430	165,217	287,548	468,959	123,307	110,549	9,375
19,015	100,298	50,450	40,337	7,814	23,718	-
-	-	-	-	-	-	-
38,806	75,168	45,700	50,261	13,109	12,923	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
177	30,282	7,811	27,346	3,854	24,482	391
$ 183,428	$ 370,965	$ 391,509	$ 586,903	$ 148,084	$ 171,672	$ 9,766

Continued on next page

Combining Statement of Net Assets – Nonmajor Component Units *(Continued from previous page)*

June 30, 2006
(Dollars in Thousands)

	Roanoke Higher Education Authority	Innovative Technology Authority	Institute for Advanced Learning and Research	Southern Virginia Higher Education Center
Assets				
Cash and Cash Equivalents	$ 594	$ 7,547	$ 2,137	$ 20
Investments	-	-	-	-
Receivables, Net	17,266	794	384	28
Contributions Receivable, Net	-	-	-	-
Due from Primary Government	-	-	-	-
Due from Component Units	44	-	-	-
Inventory	-	-	-	33
Prepaid Items	-	170	442	-
Other Assets	-	70	-	-
Loans Receivable from Primary Government	-	-	-	-
Restricted Cash and Cash Equivalents	799	-	-	-
Restricted Investments	-	-	-	-
Other Restricted Assets	-	-	-	-
Nondepreciable Capital Assets	-	7,300	-	-
Depreciable Capital Assets, Net	816	17,875	5,305	249
Total Assets	19,519	33,756	8,268	330
Liabilities				
Accounts Payable	432	846	592	85
Amounts Due to Other Governments	-	-	-	-
Due to Component Units	-	-	-	-
Unearned Revenue	675	28	-	-
Obligations Under Securities Lending Program	-	-	-	-
Other Liabilities	-	1,157	7	-
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	2,598	912	104	26
Due in More Than One Year	31	7,145	-	8
Total Liabilities	3,736	10,088	703	119
Net Assets				
Invested in Capital Assets, Net of Related Debt	816	17,241	5,305	249
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	-	-	-	-
Expendable:				
Higher Education	710	-	-	4
Virginia Pooled Investment Program	-	-	-	-
Capital Projects / Construction / Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Other	-	-	-	-
Unrestricted	14,257	6,427	2,260	(42)
Total Net Assets	$ 15,783	$ 23,668	$ 7,565	$ 211

Virginia College Building Authority	Total Nonmajor Component Units
$ 40,840	$ 722,801
-	279,753
12,352	2,179,429
-	137,680
-	7,326
-	17,641
-	22,520
-	37,161
172	26,285
-	270
189	494,450
-	2,087,982
-	106,025
-	1,130,077
-	3,251,936
53,553	10,501,336
16	236,708
-	6,235
41,740	41,740
-	82,832
-	99,452
23,096	148,021
14,016	24,579
64,169	274,045
577,785	3,827,108
720,822	4,740,720
-	2,789,788
-	720,243
-	85,214
18,631	670,669
-	5,357
-	1,032,606
-	79,872
-	477,475
(685,900)	(100,608)
$ (667,269)	$ 5,760,616

Combining Statement of Activities – Nonmajor Component Units

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Higher Education				
College of William and Mary	$ 321,886	$ 135,536	$ 84,494	$ 43,295
Virginia Military Institute	64,268	26,128	20,855	10,359
Virginia State University	104,200	40,243	20,697	13,028
Norfolk State University	126,301	46,985	23,799	23,797
University of Mary Washington	78,649	53,992	1,672	8,079
James Madison University	287,004	195,810	19,758	19,614
Radford University	129,899	71,602	12,404	3,247
Old Dominion University	295,556	123,283	56,952	9,743
George Mason University	453,093	224,438	107,248	13,486
Virginia Community College System	715,908	205,054	134,272	37,090
Christopher Newport University	94,610	55,623	15,542	5,915
Longwood University	77,272	46,139	5,760	4,729
Southwest Virginia Higher Education Center	5,040	762	2,569	67
Roanoke Higher Education Authority	3,403	1,178	50	907
Innovative Technology Authority	12,925	2,046	3,322	-
Institute for Advanced Learning and Research	6,348	294	2,664	-
Southern Virginia Higher Education Center	1,500	131	19	255
Virginia College Building Authority	237,543	42,944	-	-
Total Higher Education	3,015,405	1,272,188	512,077	193,611
Other Nonmajor Component Units				
Virginia Economic Development Partnership	16,531	214	-	-
Virginia Outdoors Foundation	3,505	18	4,228	-
Virginia Port Authority	250,501	229,007	-	840
Virginia Resources Authority	70,832	94,437	647	42,533
Virginia Tourism Authority	18,624	943	2,152	-
Virginia Tobacco Settlement Foundation	12,638	-	-	-
Tobacco Idemnification and Community Revitalization Commission	79,264	-	-	-
Hampton Roads Sanitation District Commission	118,343	120,153	-	-
Virginia Biotechnology Research Park Authority	6,003	6,289	2	-
Virginia Small Business Financing Authority	506	684	-	-
Virginia School for the Deaf and Blind Foundation	59	-	-	-
Science Museum of Virginia Foundation	3,416	-	285	-
Virginia Museum of Fine Arts Foundation	13,621	-	1,545	-
A. L. Philpott Manufacturing Extension Partnership	4,635	2,847	1,688	-
Virginia Equine Center Foundation	5,710	3,411	143	-
Certified Nursing Facility Education Initiative	57	12	-	-
Assistive Technology Loan Fund Authority	1,258	480	-	-
Virginia Land Conversation Foundation	5,161	122	784	-
Virginia Arts Foundation	4	31	14	-
Library of Virginia Foundation	695	-	46	-
Total Other Nonmajor	611,363	458,648	11,534	43,373
Total Nonmajor Component Units	$ 3,626,768	$ 1,730,836	$ 523,611	$ 236,984

Net (Expenses) Revenue	General Revenues: Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous	Contributions to Permanent / Term Endowments	VCBA Payments to Schools	Tobacco Master Settlement
$ (58,561)	$ 72,197	$ 15,797	$ 19,839	$ 13,423	$ 14,942	$ 8,594	$ -
(6,926)	12,971	352	26,642	592	-	11,513	-
(30,232)	36,751	2,040	663	1,242	299	1,743	-
(31,720)	50,685	2,647	2,005	1,502	439	9,225	-
(14,906)	18,601	4,743	4,211	67	2,915	8,819	-
(51,822)	77,489	759	5,778	1,007	9,965	10,055	-
(42,646)	46,687	33	4,688	1,144	1,356	2,269	-
(105,578)	100,813	146	14,225	-	13,521	6,236	-
(107,921)	120,588	122	6,874	6,688	3,606	5,737	-
(339,492)	357,565	5,398	6,696	7,536	7,514	25,261	-
(17,530)	28,632	454	5,580	144	1,317	3,544	-
(20,644)	25,870	535	4,164	176	1,976	5,676	-
(1,642)	1,586	-	5	-	-	-	-
(1,268)	718	-	905	-	-	44	-
(7,557)	7,432	-	574	1	-	-	-
(3,390)	3,872	289	-	-	-	2,500	-
(1,095)	1,306	-	-	-	-	-	
(194,599)	80,983	-	5,120	-	-	-	-
(1,037,529)	1,044,746	33,315	107,969	33,522	57,850	101,216	-
(16,317)	16,581	-	127	87	-	-	-
741	1,300	71	235	2	-	-	-
(20,654)	37,770	-	4,774	100	-	-	-
66,785	-	-	-	145	-	-	-
(15,529)	14,858	-	136	-	-	-	-
(12,638)	-	-	164	-	-	-	11,963
(79,264)	-	60	12,551	-	-	-	29,908
1,810	-	-	2,028	-	-	-	-
288	-	-	23	-	-	-	-
178	-	-	460	-	-	-	-
(59)	-	-	123	-	-	-	-
(3,131)	-	990	217	-	3,281	-	-
(12,076)	-	5,629	16,278	594	8,443	-	-
(100)	816	-	-	-	-	-	-
(2,156)	900	-	121	414	-	-	-
(45)	-	-	-	-	-	-	-
(778)	-	-	482	14	-	-	-
(4,255)	2,500	-	472	-	-	-	-
41	-	-	-	17	-	-	-
(649)	-	164	422	7	367	-	-
(97,808)	74,725	6,914	38,613	1,380	12,091	-	41,871
$ (1,135,337)	$ 1,119,471	$ 40,229	$ 146,582	$ 34,902	$ 69,941	$ 101,216	$ 41,871

Continued on next page

Combining Statement of Activities – Nonmajor Component Units *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	Special Items	Changes in Net Assets	Net Assets (Deficit) July 1 as restated	Net Assets (Deficit) June 30
Higher Education				
College of William and Mary	$ -	$ 86,231	$ 756,196	$ 842,427
Virginia Military Institute	-	45,144	389,217	434,361
Virginia State University	-	12,506	94,506	107,012
Norfolk State University	-	34,783	60,718	95,501
University of Mary Washington	-	24,450	107,810	132,260
James Madison University	-	53,231	329,717	382,948
Radford University	-	13,531	169,897	183,428
Old Dominion University	-	29,363	341,602	370,965
George Mason University	-	35,694	355,815	391,509
Virginia Community College System	-	70,478	516,425	586,903
Christopher Newport University	-	22,141	125,943	148,084
Longwood University	-	17,753	153,919	171,672
Southwest Virginia Higher Education Center	-	(51)	9,817	9,766
Roanoke Higher Education Authority	-	399	15,384	15,783
Innovative Technology Authority	-	450	23,218	23,668
Institute for Advanced Learning and Research	-	3,271	4,294	7,565
Southern Virginia Higher Education Center	-	211	-	211
Virginia College Building Authority	-	(108,496)	(558,773)	(667,269)
Total Higher Education	-	341,089	2,895,705	3,236,794
Other Nonmajor Component Units				
Virginia Economic Development Partnership	-	478	271	749
Virginia Outdoors Foundation	-	2,349	10,017	12,366
Virginia Port Authority	-	21,990	344,375	366,365
Virginia Resources Authority	-	66,930	974,948	1,041,878
Virginia Tourism Authority	-	(535)	2,079	1,544
Virginia Tobacco Settlement Foundation	-	(511)	6,971	6,460
Tobacco Idemnification and Community Revitalization Commission	-	(36,745)	473,796	437,051
Hampton Roads Sanitation District Commission	-	3,838	358,933	362,771
Virginia Biotechnology Research Park Authority	-	311	11,396	11,707
Virginia Small Business Financing Authority	(7,876)	(7,238)	30,684	23,446
Virginia School for the Deaf and Blind Foundation	-	64	2,733	2,797
Science Museum of Virginia Foundation	-	1,357	13,071	14,428
Virginia Museum of Fine Arts Foundation	-	18,868	190,592	209,460
A. L. Philpott Manufacturing Extension Partnership	-	716	1,171	1,887
Virginia Equine Center Foundation	-	(721)	2,057	1,336
Certified Nursing Facility Education Initiative	-	(45)	60	15
Assistive Technology Loan Fund Authority	-	(282)	11,972	11,690
Virginia Land Conversation Foundation	-	(1,283)	14,005	12,722
Virginia Arts Foundation	-	58	379	437
Library of Virginia Foundation	-	311	4,402	4,713
Total Other Nonmajor	(7,876)	69,910	2,453,912	2,523,822
Total Nonmajor Component Units	$ (7,876)	$ 410,999	$ 5,349,617	$ 5,760,616

Debt Schedules

Summary Schedule – Total Debt and Other Long-term Obligations of the Commonwealth

Last Five Fiscal Years
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2006	2005	2004	2003	2002
Tax-Supported Debt:					
Primary Government:					
General Obligation Bonds (1):					
Section 9(b) Bonds (2)	$ 626,124	$ 555,447	$ 428,891	$ 471,118	$ 451,700
Section 9(c) Bonds (2)	90,374	101,585	107,495	118,500	127,597
Subtotal - General Obligation Bonds	716,498	657,032	536,386	589,618	579,297
Non-General Obligation Debt:					
Section 9(d) Bonds (2)	2,313,423	2,183,467	1,962,418	2,055,463	2,002,041
Other Long-term Debt and Obligations (3)	1,399,553	1,185,757	1,278,534	1,148,633	965,426
Total Primary Government	4,429,474	4,026,256	3,777,338	3,793,714	3,546,764
Component Units:					
General Obligation Bonds (1):					
Section 9(c) Bonds (2)	325,969	296,963	316,923	349,185	376,462
Subtotal - General Obligation Bonds	325,969	296,963	316,923	349,185	376,462
Non-General Obligation Bonds:					
Section 9(d) Bonds (2)	953,560	970,208	706,232	765,046	555,950
Other Long-term Debt (3)	656,186	557,838	471,946	447,417	388,468
Total Component Units	1,935,715	1,825,009	1,495,101	1,561,648	1,320,880
Total Tax-Supported Debt	6,365,189	5,851,265	5,272,439	5,355,362	4,867,644
Debt Not Supported by Taxes:					
Primary Government:					
Total Primary Government (2)	2,911,350	3,046,216	2,870,199	2,985,325	2,057,817
Component Units:					
Section 9(d) Moral Obligation Bonds	1,202,791	1,318,889	1,709,233	1,966,018	2,245,191
Section 9(d) Other Debt	840,779	546,062	563,986	538,207	421,125
Other Long-term Debt (4)	9,529,110	8,861,783	7,510,899	7,039,945	7,765,548
Foundations (5)	738,850	644,529	484,147	-	-
Total Component Units	12,311,530	11,371,263	10,268,265	9,544,170	10,431,864
Total Debt Not Supported by Taxes	15,222,880	14,417,479	13,138,464	12,529,495	12,489,681
Total Debt of the Commonwealth	$ 21,588,069	$ 20,268,744	$ 18,410,903	$ 17,884,857	$ 17,357,325

	2006	2005	2004	2003	2002
Section 9(b) Debt:					
Transportation Facilities Bonds	$ 29,660	$ 34,792	$ 39,672	$ 48,719	$ 52,695
Public Facilities Bonds	596,464	520,655	389,219	422,399	399,005
Subtotal 9(b) Debt	626,124	555,447	428,891	471,118	451,700
Section 9(c) Debt:					
Higher Educational Institution Bonds	325,969	296,963	316,923	349,185	376,462
Transportation Facilities Bonds	80,435	90,545	101,128	111,301	117,992
Parking Facilities Bonds	9,939	11,040	6,367	7,199	9,605
Subtotal 9(c) Debt	416,343	398,548	424,418	467,685	504,059
Total General Obligation Debt (1)	$ 1,042,467	$ 953,995	$ 853,309	$ 938,803	$ 955,759

(1) Total General Obligation Debt for the fiscal year ended.

(2) Net of unamortized discounts, premiums, deferrals on debt defeasance, and/or issuance expenses.

(3) Includes capital lease obligations, notes payable, installment purchase obligations, pension liability, and the long-term portion of the liability for compensated absences.

(4) Includes bonds payable, notes payable, and other debt not supported by taxes.

(5) Beginning in fiscal year 2004, Foundations represent FASB reporting entities defined in Note 1.B.

Tax-Supported Debt and Other Long-term Obligations

Last Five Fiscal Years
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2006	2005	2004	2003	2002
Primary Government:					
General Obligation Debt (1) (4):					
Section 9(b) Debt					
Transportation Facilities (2)	$ 29,660	$ 34,792	$ 39,672	$ 48,719	$ 52,695
Public Facilities (2)	596,464	520,655	389,219	422,399	399,005
Subtotal Section 9(b) Debt	626,124	555,447	428,891	471,118	451,700
Section 9(c) Debt					
Parking Facilities (2)	9,939	11,040	6,367	7,199	9,605
Transportation Facilities (2)	80,435	90,545	101,128	111,301	117,992
Subtotal Section 9(c) Debt	90,374	101,585	107,495	118,500	127,597
Subtotal General Obligation Debt	716,498	657,032	536,386	589,618	579,297
Non-General Obligation Debt:					
Section 9(d) Debt:					
Transportation Debt (2)	1,021,172	1,041,397	1,074,589	1,098,968	1,043,900
Virginia Public Building Authority (2)	1,292,251	1,142,070	887,829	956,495	958,141
Subtotal Section 9(d) Debt	2,313,423	2,183,467	1,962,418	2,055,463	2,002,041
Other Long-term Debt:					
Transportation Notes Payable	12,325	12,325	12,325	12,325	12,325
Regional Jail Construction	13,375	15,030	16,654	18,252	28,974
Capital Lease Obligations	126,615	133,799	299,953	249,123	202,265
Installment Purchase Obligations (3)	50,485	24,047	29,228	34,780	32,182
Virginia Public Broadcasting Board Notes Payable	13,485	15,775	17,950	20,005	21,960
Industrial Development Authority Obligations	23,160	27,100	30,845	34,410	37,800
Economic Development Authority Obligations	100,592	-	-	-	-
Aviation Notes Payable	2,768	3,055	3,341	3,627	-
Subtotal Other Long-term Debt	342,805	231,131	410,296	372,522	335,506
Other Long-term Obligations:					
Compensated Absences	328,799	313,896	304,839	303,479	306,972
Pension Liability	709,835	621,969	542,471	452,550	302,664
Other Liabilities	18,114	18,761	20,928	20,082	20,284
Subtotal Other Long-term Obligations	1,056,748	954,626	868,238	776,111	629,920
Total Primary Government	4,429,474	4,026,256	3,777,338	3,793,714	3,546,764
Component Units:					
General Obligation Bonds (1) (4):					
Section 9(c) Debt					
Higher Educational Institutions (2)	325,969	296,963	316,923	349,185	376,462
Subtotal General Obligation Debt	325,969	296,963	316,923	349,185	376,462
Non-General Obligation Debt:					
Section 9(d) Debt:					
Higher Educational Institutions (5)	-	-	-	-	9,165
Virginia Port Authority (2)	251,219	265,518	212,798	222,221	94,060
Innovative Technology Authority	7,935	8,635	9,345	9,965	10,590
Virginia College Building Authority	641,954	641,450	402,794	448,525	354,890
Virginia Biotechnology Research Park Authority	52,452	54,605	81,295	84,335	87,245
Subtotal Section 9(d) Debt	953,560	970,208	706,232	765,046	555,950
Other Long-term Debt:					
Long-term Capital Lease Obligations	59,532	46,272	44,123	52,364	45,810
Installment Purchase Obligations (3)	137,788	85,614	25,227	17,844	23,347
Subtotal Other Long-term Debt	197,320	131,886	69,350	70,208	69,157
Other Long-term Obligations:					
Compensated Absences	199,127	187,489	182,306	174,296	182,603
Pension Liability	259,739	238,463	220,290	202,913	136,708
Subtotal Other Long-term Obligations	458,866	425,952	402,596	377,209	319,311
Total Component Units	1,935,715	1,825,009	1,495,101	1,561,648	1,320,880
Total Tax-Supported Debt	$ 6,365,189	$ 5,851,265	$ 5,272,439	$ 5,355,362	$ 4,867,644

(1) The General Obligation Debt is the only debt or long-term obligation that is backed by the full faith, credit, and taxing power of the Commonwealth.

(2) Net of unamortized discounts, premiums, deferral on debt defeasance, and/or issuance expenses.

(3) Reflected as Notes Payable in Note 22, Long-term Liabilities.

(4) See Note 1 on previous page.

(5) Related to Virginia College Building Authority's Equipment Leasing Program.

Debt and Other Long-term Obligations Not Supported by Taxes

Last Five Fiscal Years
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2006	2005	2004	2003	2002
Primary Government:					
Other Long-term Debt & Obligations:					
Federal Reimbursement Anticipation Notes Payable (1)	$ 918,494	$ 746,877	$ 834,992	$ 919,243	$ 375,000
Pocahontas Parkway Association Bonds	-	463,357	447,372	432,563	418,850
Pension Liability	14,474	12,990	11,601	9,909	6,389
Compensated Absences	8,262	7,859	7,852	8,192	8,084
Installment Purchase Obligations	5,967	9,709	12,475	15,917	17,861
Tuition Benefits Payable	1,617,517	1,430,383	1,157,712	1,177,780	781,827
Lottery Prizes Payable	346,636	375,041	398,195	421,721	449,694
Other	-	-	-	-	112
Total Primary Government	2,911,350	3,046,216	2,870,199	2,985,325	2,057,817
Component Units:					
Section 9(d) Moral Obligation Debt: (1)					
Virginia Housing Development Authority	498,314	623,790	735,600	915,890	1,278,338
Virginia Public School Authority					
(1991 Resolution)	-	-	248,837	345,435	432,117
Virginia Resources Authority	704,477	695,099	724,796	704,693	534,736
Subtotal Section 9(d) Moral Obligation Debt	1,202,791	1,318,889	1,709,233	1,966,018	2,245,191
Section 9(d) Other Debt:					
Higher Educational Institutions (1):					
Auxiliary Enterprise Revenue Bonds	646,914	445,392	456,816	420,712	261,135
Teaching Hospitals Revenue Bonds (4)	193,865	100,670	107,170	117,495	159,990
Subtotal Section 9(d) Other Debt	840,779	546,062	563,986	538,207	421,125
Other Long-term Debt:					
Virginia Housing Development Authority (1) (2)	4,656,701	4,003,396	3,476,198	3,834,763	4,778,204
Hampton Roads Sanitation District	144,450	138,509	133,567	142,046	152,978
Virginia Equine Center	15,320	15,540	15,745	15,970	16,145
Virginia Biotechnology Research Park Authority	11,880	12,730	13,525	14,265	14,965
Virginia Public School Authority (1) (2)	2,689,512	2,449,447	2,059,419	1,767,624	1,658,368
Virginia Port Authority	141,118	142,650	146,427	148,255	93,325
Virginia Commonwealth University Health					
System Authority	-	-	-	-	-
Virginia Resources Authority	677,382	591,196	516,423	215,431	223,837
Notes Payable	908,394	1,139,395	858,031	606,984	494,689
Bond Anticipation Notes	-	-	-	1,303	895
Other Long-term Debt	284,353	368,920	291,564	293,304	332,142
Foundations (5)	738,850	644,529	484,147	-	-
Subtotal Other Long-term Debt	10,267,960	9,506,312	7,995,046	7,039,945	7,765,548
Subtotal Section 9(d) and Other Debt	11,108,739	10,052,374	8,559,032	7,578,152	8,186,673
Total Component Units	12,311,530	11,371,263	10,268,265	9,544,170	10,431,864
Total Debt Not Supported by Taxes (3)	$ 15,222,880	$ 14,417,479	$ 13,138,464	$ 12,529,495	$ 12,489,681

(1) Net of unamortized discounts, premiums, deferral on debt defeasance, and/or issuance expenses.
(2) Includes notes payable and/or installment purchase obligations.
(3) These amounts are not backed by the full faith, credit, and taxing power of the Commonwealth.
(4) Beginning in fiscal year 2002, this includes the Virginia Commonwealth University Health System Authority.
(5) Beginning in fiscal year 2004, Foundations represent FASB reporting entities defined in Note 1.B.

Authorized and Unissued Tax-Supported Debt

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

	As of June 30, 2005	New Debt Authorized	Debt Issued	Other Adjust-ments	As of June 30, 2006
Section 9(b) Debt (Primary Government):					
Higher Educational Institution Bonds	$ 710,240	$ -	$ 98,215	$ (5,041)	$ 606,984
Park and Recreational Facilities	86,260	-	19,895	(1,021)	65,344
Subtotal Section 9(b) Debt	796,500	-	118,110	(6,062)	672,328
Section 9(c) Debt (Primary Government):					
Higher Educational Institution Bonds	240,599	209,726	54,535	(361)	395,429
Subtotal Section 9(c) Debt	240,599	209,726	54,535	(361)	395,429
Section 9(d) Debt:					
Primary Government:					
Transportation Contract Revenue Bonds					
(Northern Virginia Transportation District					
Fund Program)	97,100	-	-	-	97,100
Economic Development Authority Obligations	190,238	-	96,515	(3,485)	90,238
Component Units:					
Virginia Public Building Authority					
(Projects)	651,312	201,900	209,906	-	643,306
Virginia Public Building Authority					
(Juvenile Detention Facilities)	12,591	-	5,904	-	6,687
Virginia Public Building Authority					
(Jails)	63,690	54,112	-	-	117,802
Virginia College Building Authority					
(21st Century)	241,517	-	-	-	241,517
Virginia College Building Authority					
(Equipment Program)	56,170	136,903	53,835	(2,335)	136,903
Subtotal Section 9(d) Debt	1,312,618	392,915	366,160	(5,820)	1,333,553
Total Authorized and Unissued Tax-Supported Debt	$ 2,349,717	$ 602,641	$ 538,805	$ (12,243)	$ 2,401,310

Tax-Supported Debt – Annual Debt Service Requirements [1]

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

Fiscal Year Ending June 30	General Obligation Debt Sections 9(a), 9(b) and 9(c)			Other Tax-Supported Debt Section 9(d) [1] [2]		
	Principal	Interest	Total	Principal	Interest	Total
2007	$ 93,865	$ 47,803	$ 141,668	$ 217,931	$ 153,147	$ 371,078
2008	93,680	43,659	137,339	229,877	144,125	374,002
2009	91,799	39,545	131,344	234,882	133,953	368,835
2010	87,985	35,636	123,621	225,472	123,325	348,797
2011	85,212	31,452	116,664	216,547	113,090	329,637
2012	74,520	27,407	101,927	206,137	102,800	308,937
2013	74,625	23,735	98,360	202,267	92,939	295,206
2014	64,415	20,045	84,460	195,044	83,107	278,151
2015	60,225	16,873	77,098	199,057	73,288	272,345
2016	51,530	13,906	65,436	197,517	63,669	261,186
2017	38,725	11,495	50,220	181,784	54,484	236,268
2018	31,860	9,637	41,497	172,010	45,794	217,804
2019	30,480	8,198	38,678	149,610	37,761	187,371
2020	28,940	6,806	35,746	125,078	30,760	155,838
2021	29,820	5,465	35,285	119,466	24,983	144,449
2022	23,815	4,048	27,863	101,385	19,585	120,970
2023	22,620	2,895	25,515	96,015	14,819	110,834
2024	20,375	1,841	22,216	88,391	10,416	98,807
2025	10,150	875	11,025	64,764	6,231	70,995
2026	2,640	417	3,057	50,814	3,511	54,325
2027	1,550	298	1,848	18,136	1,784	19,920
2028	1,615	228	1,843	15,388	990	16,378
2029	1,690	155	1,845	5,724	575	6,299
2030	1,765	79	1,844	5,800	394	6,194
2031	-	-	-	5,897	204	6,101
2032	-	-	-	1,724	-	1,724
Subtotal	1,023,901	352,498	1,376,399	3,326,717	1,335,734	4,662,451
Add Accretion on Capital Appreciation Bonds	-	-	-	7,447	-	7,447
Add Unamortized Premium	44,625	-	44,625	152,233	-	152,233
Less Unamortized Discount	(1,796)	-	(1,796)	(7,506)	-	(7,506)
Less Deferral on Debt Defeasance	(24,264)	-	(24,264)	(59,578)	-	(59,578)
Total	$ 1,042,466	$ 352,498	$ 1,394,964	$ 3,419,313	$ 1,335,734	$ 4,755,047

[1] Includes Virginia Biotechnology Research Park Authority, Innovative Technology Authority, Newport News Industrial Development Authority, Virginia Public Broadcasting Board, Fairfax County Economic Development Authority, Virginia Aviation Board and Transportation Notes Payable. Does not include other capital leases, installment purchase obligations, regional jails, compensated absences, pension liability, and uninsured employers fund.

[2] Includes principal amount of $2,325,747 (dollars in thousands) which includes Transportation Notes Payable of $12,325 (dollars in thousands) for the primary government.

Total		
Principal	Interest	Total
$ 311,796	$ 200,950	$ 512,746
323,557	187,784	511,341
326,681	173,498	500,179
313,457	158,961	472,418
301,759	144,542	446,301
280,657	130,207	410,864
276,892	116,674	393,566
259,459	103,152	362,611
259,282	90,161	349,443
249,047	77,575	326,622
220,509	65,979	286,488
203,870	55,431	259,301
180,090	45,959	226,049
154,018	37,566	191,584
149,286	30,448	179,734
125,200	23,633	148,833
118,635	17,714	136,349
108,766	12,257	121,023
74,914	7,106	82,020
53,454	3,928	57,382
19,686	2,082	21,768
17,003	1,218	18,221
7,414	730	8,144
7,565	473	8,038
5,897	204	6,101
1,724	-	1,724
4,350,618	1,688,232	6,038,850
7,447	-	7,447
196,858	-	196,858
(9,302)	-	(9,302)
(83,842)	-	(83,842)
$ 4,461,779	$ 1,688,232	$ 6,150,011

Tax-Supported Debt – Detail of Long-term Indebtedness

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2005	Issued (Retired) During Year	Outstanding June 30, 2006	Maturity
General Obligation Debt					
Section 9(b) Debt (Primary Government):					
Transportation Facilities Bonds					
Series 2003 Refunding	$ 40,370	$ 31,775	$ (4,620)	$ 27,155	06/01/07-11
Deferral on Debt Defeasance	-	(710)	118	(592)	
Unamortized Premium	-	3,727	(630)	3,097	
Total Transportation Facilities Bonds	40,370	34,792	(5,132)	29,660	
Public Facilities Bonds					
Series 1996 Refunding	64,390	60,585	(60,585)	-	
Series 1996	49,775	7,470	(7,470)	-	
Series 1997	97,045	10,215	(5,105)	5,110	06/01/07
Series 1998 Refunding	59,235	48,065	(415)	47,650	06/01/07-13
Series 1998	50,990	9,345	(3,115)	6,230	06/01/07-08
Series 1999	20,125	4,240	(1,060)	3,180	06/01/07-09
Series 2002 Refunding	114,865	83,870	(18,610)	65,260	06/01/07-16
Series 2003	50,400	45,370	(2,515)	42,855	06/01/07-23
Series 2004	243,680	235,460	(8,220)	227,240	06/01/07-24
Series 2005	118,110	-	112,280	112,280	06/01/07-25
Series 2006 Refunding	61,535	-	61,535	61,535	06/01/07-15
Deferral on Debt Defeasance	-	(11,812)	1,566	(10,246)	
Unamortized Premium	-	27,847	7,523	35,370	
Total Public Facilities Bonds	930,150	520,655	75,809	596,464	
Total Section 9(b) Debt	970,520	555,447	70,677	626,124	
Section 9(c) Debt					
Higher Educational Institution Bonds (Component Units)					
Series 1979 Bonds					
James Madison University					
Dormitory Complex	3,695	715	(170)	545	06/01/07-09
Subtotal Series 1979 Bonds	3,695	715	(170)	545	
Series 1981 Bonds					
Virginia Commonwealth University					
Low-Rise Dormitory	4,932	1,367	(210)	1,157	06/01/07-11
Subtotal Series 1981 Bonds	4,932	1,367	(210)	1,157	
Series 1983 Bonds					
Old Dominion University					
Mid-Rise Dormitory	3,500	1,255	(140)	1,115	06/01/07-13
Powhatan Field Apartments, Phase II	3,636	1,315	(145)	1,170	06/01/07-13
Virginia Commonwealth University					
Low-Rise Dormitory	4,050	1,455	(165)	1,290	06/01/07-13
Subtotal Series 1983 Bonds	11,186	4,025	(450)	3,575	
Series 1989 Bonds					
George Mason University					
Humanities III	9,400	2,970	(671)	2,299	06/01/07-09
Residence Hall III	10,697	3,380	(764)	2,616	06/01/07-09
University of Virginia					
Student Health Center	1,300	411	(93)	318	06/01/07-09
Subtotal Series 1989 Bonds	21,397	6,761	(1,528)	5,233	

Series	Amount Issued	Outstanding June 30, 2005	Issued (Retired) During Year	Outstanding June 30, 2006	Maturity
General Obligation Debt *(continued)*					
Section 9(c) Debt *(continued)*					
Higher Educational Institution Bonds (Component Units) *(continued)*					
Series 1990 Bonds					
University of Virginia					
Judge Advocate General School	6,265	2,675	(445)	2,230	06/01/07-10
Subtotal Series 1990 Bonds	6,265	2,675	(445)	2,230	
Series 1995 Bonds					
College of William and Mary					
Underground Utility	1,535	145	(70)	75	06/01/07
George Mason University					
Prince William Site and Parking	2,115	255	(255)	-	
University of Virginia					
Newcomb Hall Expansion	10,855	1,035	(505)	530	06/01/07
Student Residence Facility	4,890	470	(230)	240	06/01/07
Virginia State University					
Dorm Renovation	2,685	420	(205)	215	06/01/07
Foster Hall	2,305	360	(175)	185	06/01/07
Langston Hall	2,575	400	(195)	205	06/01/07
Subtotal Series 1995 Bonds	26,960	3,085	(1,635)	1,450	
Series 1996 Bonds					
College of William and Mary					
Dormitory Repairs	1,650	240	(240)	-	
Longwood University					
Dining Hall	5,485	830	(830)	-	
Virginia Commonwealth University					
Visitors Deck	3,350	495	(495)	-	
Virginia State University					
Jones Dining Hall	2,525	370	(370)	-	
Subtotal Series 1996 Bonds	13,010	1,935	(1,935)	-	
Series 1996 Refunding Bonds					
Christopher Newport University					
Dormitory and Dining 1994	1,892	1,790	(1,790)	-	
College of William and Mary					
Dormitory 1994	118	110	(110)	-	
Dormitory Phase II 1994	1,751	1,645	(1,645)	-	
Subtotal Series 1996 Refunding Bonds	3,761	3,545	(3,545)	-	
Series 1997 Bonds					
College of William and Mary					
Dormitory Renovation Phase II	760	70	(35)	35	06/01/07
Dormitory Repairs	3,390	310	(150)	160	06/01/07
Utility System	2,000	185	(90)	95	06/01/07

Continued on next page

Tax-Supported Debt – Detail of Long-term Indebtedness *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2005	Issued (Retired) During Year	Outstanding June 30, 2006	Maturity
General Obligation Debt *(continued)*					
Section 9(c) Debt *(continued)*					
Higher Educational Institution Bonds (Component Units) *(continued)*					
Series 1997 Bonds *(continued)*					
James Madison University					
Dining Hall Renovation	1,330	125	(60)	65	06/01/07
Residence Hall	11,625	1,065	(520)	545	06/01/07
Student Services	6,200	570	(280)	290	06/01/07
Virginia Commonwealth University					
Academic Parking Deck	12,280	1,160	(565)	595	06/01/07
Virginia Polytechnic Institute and State University					
Parking Auxiliary Project	1,550	145	(70)	75	06/01/07
Residence Hall	15,895	1,500	(730)	770	06/01/07
Subtotal Series 1997 Bonds	55,030	5,130	(2,500)	2,630	
Series 1998 Bonds					
College of William and Mary					
Dormitory Renovation	6,390	855	(270)	585	06/01/07-08
George Mason University					
Arl-Metro Parking	1,915	665	(210)	455	06/01/07-08
James Madison University					
Dining Facilities Renovation	1,080	145	(45)	100	06/01/07-08
Virginia Polytechnic Institute and State University					
Dining Hall	3,255	435	(135)	300	06/01/07-08
Virginia State University					
Jones Dining Hall	1,045	140	(45)	95	06/01/07-08
Subtotal Series 1998 Bonds	13,685	2,240	(705)	1,535	
Series 1998 Refunding Bonds					
Christopher Newport University					
Dormitory and Dining 1992C	3,260	2,833	(250)	2,583	06/01/07-15
Dormitory and Dining 1994	170	158	(2)	156	06/01/07-08
College of William and Mary					
Dormitory Phase II 1994	362	337	(3)	334	06/01/07-08
Dormitory 1992D	701	666	(5)	661	06/01/07-13
Dormitory 1994	33	31	-	31	06/01/07-08
University Center 1992C	6,617	5,713	(610)	5,103	06/01/07-13
George Mason University					
Student Union II 1992A	1,572	1,232	(152)	1,080	06/01/07-12
James Madison University					
Student Activities 1992C	4,599	3,972	(426)	3,546	06/01/07-13
Longwood University					
Student Housing 1992A	2,949	2,313	(284)	2,029	06/01/07-12
University of Mary Washington					
Residence Hall 1992C	2,094	1,807	(194)	1,613	06/01/07-13
University of Virginia					
Central Ground Parking 1992D	6,146	5,845	(43)	5,802	06/01/07-13
CVC Dormitory 1992C	409	346	(43)	303	06/01/07-12
HSC Parking 1992D	843	801	(6)	795	06/01/07-13
West Scott Stadium 1992D	614	584	(4)	580	06/01/07-13

Series	Amount Issued	Outstanding June 30, 2005	Issued (Retired) During Year	Outstanding June 30, 2006	Maturity
General Obligation Debt *(continued)*					
Section 9(c) Debt *(continued)*					
Higher Educational Institution Bonds (Component Units) *(continued)*					
Series 1998 Refunding Bonds *(continued)*					
VCCS/Northern Virginia Community College					
NVCC Parking Deck 1992A	1,869	1,460	(179)	1,281	06/01/07-12
Virginia Commonwealth University					
Dormitory Renovations 1992D	1,636	1,556	(12)	1,544	06/01/07-13
Housing Repairs 1992C	755	640	(80)	560	06/01/07-12
MCV Parking 1992C	5,198	4,487	(480)	4,007	06/01/07-13
Virginia Polytechnic Institute and State University					
Dormitory Repairs 1992C	1,440	1,370	(11)	1,359	06/01/07-13
Dormitory 1992D	1,380	1,313	(10)	1,303	06/01/07-13
Residence Hall 1992C	3,158	2,726	(291)	2,435	06/01/07-13
Subtotal Series 1998 Refunding Bonds	45,805	40,190	(3,085)	37,105	
Series 1999 Bonds					
Christopher Newport University					
Residence Hall II	12,980	2,330	(540)	1,790	06/01/07-09
Longwood University					
Dining Hall	3,020	515	(120)	395	06/01/07-09
Residence Hall Improvements	2,825	485	(110)	375	06/01/07-09
University of Virginia					
Residence Hall - Wise	4,665	840	(195)	645	06/01/07-09
Virginia Polytechnic Institute and State University					
Dining Hall HVAC	1,800	325	(75)	250	06/01/07-09
Subtotal Series 1999 Bonds	25,290	4,495	(1,040)	3,455	
Series 2001 Bonds					
Christopher Newport University					
New Residence Hall	23,050	7,825	(910)	6,915	06/01/07-21
College of William and Mary					
Renovate Dormitories	4,875	1,600	(185)	1,415	06/01/07-21
George Mason University					
Housing Building V	21,780	10,620	(705)	9,915	06/01/07-24
Housing Renovations	3,435	2,420	(365)	2,055	06/01/07-11
James Madison University					
Bluestone Dorm Phase III	5,900	1,910	(225)	1,685	06/01/07-21
University of Mary Washington					
Residence hall Renovation	1,925	630	(75)	555	06/01/07-21
University of Virginia					
Res. Hall-Monroe Lane	4,670	1,535	(180)	1,355	06/01/07-21
Subtotal Series 2001 Bonds	65,635	26,540	(2,645)	23,895	
Series 2002 Bonds					
College of William and Mary					
Dorm Renovations	5,015	4,445	(180)	4,265	06/01/07-22
George Mason University					
Housing Building V	8,635	7,655	(310)	7,345	06/01/07-22
James Madison University					
Bluestone Dorm Renovations I	2,045	1,810	(75)	1,735	06/01/07-22
Bluestone Dorm Renovations II	2,125	1,880	(75)	1,805	06/01/07-22

Continued on next page

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2005	Issued (Retired) During Year	Outstanding June 30, 2006	Maturity
General Obligation Debt *(continued)*					
Section 9(c) Debt *(continued)*					
Higher Educational Institution Bonds (Component Units) *(continued)*					
Series 2002 Bonds *(continued)*					
Old Dominion University					
Housing Renovation	2,565	2,275	(90)	2,185	06/01/07-22
Virginia Polytechnic Institute and State University					
Parking Auxiliary Project	975	815	(55)	760	06/01/07-17
Subtotal Series 2002 Bonds	21,360	18,880	(785)	18,095	
Series 2002 Refunding Bonds					
Christopher Newport University					
Dorm/Dining Projects	211	70	(70)	-	
College of William and Mary					
Dorm Phase II Projects	448	155	(155)	-	
Dorm Renovation Projects	31	10	(10)	-	
Dorm Renovations	276	76	(76)	-	
Dorm Renovations	362	316	(35)	281	06/01/07-13
Dorm Repairs	898	898	-	898	06/01/07-16
Underground Utility	878	878	-	878	06/01/07-16
University Center	121	105	(10)	95	06/01/07-13
George Mason University					
University Center	14,696	13,468	(1,098)	12,370	06/01/07-15
James Madison University					
Residence Facility	3,089	2,737	(293)	2,444	06/01/07-13
Longwood University					
Dining Hall	3,072	3,072	-	3,072	06/01/07-16
University of Mary Washington					
Telecommunications	2,647	2,298	(244)	2,054	06/01/07-13
University of Virginia					
Central Grounds Parking	2,392	650	(650)	-	
HSC Parking	327	86	(86)	-	
Newcomb Hall Expansion Projects	6,213	6,213	-	6,213	06/01/07-16
Student Residence Facility Project	2,796	2,796	-	2,796	06/01/07-16
West Scott Stadium Parking	241	66	(66)	-	
Virginia Commonwealth University					
Dorm Renovations	633	173	(173)	-	
Visitors Deck	1,823	1,823	-	1,823	06/01/07-16
Virginia Polytechnic Institute and State University					
Dormitory	538	147	(147)	-	
Dormitory Repairs	558	152	(152)	-	
Virginia State University					
Dorm Renovation	690	690	-	690	06/01/07-10
Foster Hall	592	592	-	592	06/01/07-10
Jones Dining Hall	1,358	1,358	-	1,358	06/01/07-16
Langston Hall	661	661	-	661	06/01/07-10
Subtotal Series 2002 Refunding Bonds	45,551	39,490	(3,265)	36,225	

Series	Amount Issued	Outstanding June 30, 2005	Issued (Retired) During Year	Outstanding June 30, 2006	Maturity
General Obligation Debt *(continued)*					
Section 9(c) Debt *(continued)*					
Higher Educational Institution Bonds (Component Units) *(continued)*					
Series 2003 Refunding Bonds					
Christopher Newport University					
Dormitory Project	1,209	947	(139)	808	06/01/07-11
College of William and Mary					
Graduate Housing	3,906	3,046	(461)	2,585	06/01/07-11
Randolph Residences	881	609	(144)	465	06/01/07-09
Tyler Hall Renovation	410	253	(80)	173	06/01/07-08
George Mason University					
Parking Lot #10	119	42	(42)	-	
Residence Hall II	1,390	484	(484)	-	
Residence Hall IV	5,438	4,041	(744)	3,297	06/01/07-10
Security/Info Building	72	23	(23)	-	
James Madsion University					
Gibbons Hall Renovation	1,316	978	(178)	800	06/01/07-10
Student Residence Hall	1,387	862	(274)	588	06/01/07-08
Longwood University					
Housing Repairs	212	161	(30)	131	06/01/07-10
Norfolk State University					
Cafeteria Renovation	2,234	1,743	(266)	1,477	06/01/07-11
Residence Hall	1,948	1,451	(268)	1,183	06/01/07-10
Residence Hall	5,133	3,999	(604)	3,395	06/01/07-11
Old Dominion University					
Athletic Facility	2,970	2,207	(406)	1,801	06/01/07-10
Multi-Level Parking	2,333	1,735	(318)	1,417	06/01/07-10
Property at 43rd and Hampton	148	92	(28)	64	06/01/07-08
Webb Center Addition	3,686	2,870	(436)	2,434	06/01/07-11
Radford University					
Norwood Hall Renovation	373	133	(133)	-	
University of Mary Washington					
Student Activity Center	702	244	(244)	-	
Residence Hall	1,461	1,087	(198)	889	06/01/07-10
University of Virginia					
Heater/Chiller Replacement	583	435	(80)	355	06/01/07-10
Hospital Parking Garage	1,147	399	(399)	-	
Student Housing	7,587	5,910	(891)	5,019	06/01/07-11
Virginia Polytechnic Institute and State University					
Dorm and Dining Renovation	2,694	2,098	(317)	1,781	06/01/07-11
Parking Renovations	2,268	1,767	(266)	1,501	06/01/07-11
Squires Center Renovation	684	506	(94)	412	06/01/07-10
Squires Student Center	1,755	1,365	(205)	1,160	06/01/07-11
Student Activities Center	5,457	3,393	(1,078)	2,315	06/01/07-08
Subtotal Series 2003 Refunding Bonds	59,503	42,880	(8,830)	34,050	
Series 2004 New Money and Refunding Bonds					
Christopher Newport University					
New Residence Hall - '01 Refunded Portion	12,842	12,582	-	12,582	06/01/07-20
Residence Hall II - '99 Refunded Portion	8,416	8,240	-	8,240	06/01/07-19

Continued on next page

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2005	Issued (Retired) During Year	Outstanding June 30, 2006	Maturity
General Obligation Debt *(continued)*					
Section 9(c) Debt *(continued)*					
Higher Educational Institution Bonds (Component Units) *(continued)*					
Series 2004 New Money and Refunding Bonds *(continued)*					
College of William & Mary					
Dorm Renovation Phase II - '97 Refunded Portion	469	459	-	459	06/01/07-17
Dorm Renovations - '98 Refunded Portion	3,778	3,705	-	3,705	06/01/07-18
Dorm Repairs - '97 Refunded Portion	2,077	2,034	-	2,034	06/01/07-17
Renovate Dormitories - '01 Refunded Portion	2,629	2,576	-	2,576	06/01/07-20
Utility System - '97 Refunded Portion	1,226	1,201	-	1,201	06/01/07-17
George Mason University					
Commonwealth and Dominion Housing	2,340	2,160	(205)	1,955	06/01/07-14
Housing Building V - '01 Refunded Portion	9,940	9,739	-	9,739	06/01/07-20
James Madison University					
Bluestone Dorm, Phase II - '01 Refunded Portion	3,130	3,066	-	3,066	06/01/07-20
Dining Facilities Renovation - '98 Ref. Portion	638	626	-	626	06/01/07-18
Dining Hall Renovation - '97 Refunded Portion	818	801	-	801	06/01/07-17
Residence Hall - '97 Refunded Portion	7,093	6,946	-	6,946	06/01/07-17
Student Services - '97 Refunded Portion	3,783	3,705	-	3,705	06/01/07-17
Longwood University					
Dining Hall - '99 Refunded Portion	1,868	1,829	-	1,829	06/01/07-19
Residence Hall Improvements - '99 Refunded Portion	1,747	1,710	-	1,710	06/01/07-19
University of Mary Washington					
Residence Hall Renovation - '01 Refunded Portion	1,036	1,015	-	1,015	06/01/07-20
University of Virginia					
Residence Hall - Monroe Lane - '01 Ref. Portion	2,513	2,462	-	2,462	06/01/07-20
Residence Hall - Wise - '99 Refunded Portion	3,020	2,957	-	2,957	06/01/07-19
Virginia Commonwealth University					
Academic Parking Deck - '97 Refunded Portion	7,723	7,563	-	7,563	06/01/07-17
Virginia Military Institute					
VMI - Crozet Hall and Parking	11,240	11,240	(350)	10,890	06/01/07-25
Virginia Polytechnic Institute and State University					
Dining Hall - '98 Refunded Portion	1,928	1,891	-	1,891	06/01/07-18
Dining Hall HVAC - '99 Refunded Portion	1,168	1,143	-	1,143	06/01/07-19
Parking Auxilliary Project - '97 Refunded Portion	951	931	-	931	06/01/07-17
Residence Hall - '97 Refunded Portion	9,995	9,788	-	9,788	06/01/07-17
Renovate Dietrick Severy, Phase II	4,800	4,650	(165)	4,485	06/01/07-24
Virginia State University					
Jones Dining Hall - '98 Refunded Portion	618	606	-	606	06/01/07-18
Subtotal Series 2004 New Money and Refunding Bonds	107,786	105,625	(720)	104,905	
Series 2005 Bonds					
College of William & Mary					
Renovate Dining	9,555	-	9,555	9,555	06/01/07-26
Renovate Dorms	5,800	-	5,800	5,800	06/01/07-26
George Mason University					
Student Housimg	25,800	-	25,800	25,800	06/01/07-30
Longwood University					
Renovate Housing Facilities	3,915	-	3,710	3,710	06/01/07-25
Old Dominion University					
Renovate Housing - Phase I	4,735	-	4,490	4,490	06/01/07-25
University of Mary Washington					
Seacobeck Dining Hall	4,730	-	4,485	4,485	06/01/07-25
Subtotal Series 2005 Bonds	54,535	-	53,840	53,840	

Series	Amount Issued	Outstanding June 30, 2005	Issued (Retired) During Year	Outstanding June 30, 2006	Maturity
General Obligation Debt *(continued)*					
Section 9(c) Debt *(continued)*					
Higher Educational Institution Bonds (Component Units) *(continued)*					
Series 2006 Refunding Bonds					
Christopher Newport University					
Dorm/Dining - '96 Refunding, Refunded Portion	1,725	-	1,725	1,725	06/01/07-21
College of William & Mary					
Dorm - '96 Refunding, Refunded Portion	100	-	100	100	06/01/07-14
Dorm, Phase II -'96 Refunding, Refunded Portion	1,525	-	1,525	1,525	03/01/07-15
Dorm Repairs -'96A Refunded Portion	165	-	165	165	06/01/07-08
Longwood University					
Dining Hall - '96A Refunded Portion	565	-	565	565	06/01/07-08
Virginia Commonwealth University					
Visitors Deck - '96A Refunded Portion	335	-	335	335	06/01/07-08
Virginia State University					
Jones Dining Hall -'96A Refunded Portion	255	-	255	255	06/01/07-08
Subtotal Series 2006 Refunding Bonds	4,670	-	4,670	4,670	
Deferral on Debt Defeasance	-	(12,615)	1,496	(11,119)	
Unamortized Premium	-	-	2,493	2,493	
Subtotal Higher Educational Institution Bonds	590,056	296,963	29,006	325,969	
Transportation Facilities Bonds (Primary Government)					
Series 1989, Dulles Toll Road	34,348	10,724	(2,424)	8,300	06/01/07-09
Series 1996, Dulles Toll Road	45,235	6,665	(6,665)	-	
Series 1996, Coleman Bridge Refunding	34,750	33,025	(33,025)	-	
Series 1998, Coleman Bridge Refunding	3,135	2,935	(30)	2,905	06/01/07-08
Series 2002, Coleman Bridge Refunding	3,775	1,330	(1,330)	-	
Series 2002, Dulles Refunding	24,615	24,615	-	24,615	06/01/07-16
Series 2003, Dulles Refunding	18,765	11,243	(3,958)	7,285	006/01/07-08
Series 2006, Dulles Refunding	4,535	-	4,535	4,535	006/01/07-08
Series 2006, Coleman Refunding	31,880	-	31,880	31,880	006/01/07-21
Deferral on Debt Defeasance	-	(2,000)	7	(1,993)	
Unamortized Premium	-	2,008	900	2,908	
Subtotal Transportation Facilities Bonds	201,038	90,545	(10,110)	80,435	
Parking Facilities Bonds (Primary Government)					
Series 1996	3,495	515	(515)	-	
Series 2002 Refunding	230	230	-	230	06/01/08-15
Series 2003 Refunding	5,860	4,569	(690)	3,879	06/01/07-11
Series 2004	5,390	5,220	(180)	5,040	06/01/07-24
Series 2006 Refunding	345	-	345	345	06/01/07-08
Deferral on Debt Defeasance	-	(357)	44	(313)	
Unamortized Premium	-	863	(105)	758	
Subtotal Parking Facilities Bonds	15,320	11,040	(1,101)	9,939	
Total Section 9(c) Debt	806,414	398,548	17,795	416,343	
Total General Obligation Debt	1,776,934	953,995	88,472	1,042,467	

Continued on next page

Tax-Supported Debt – Detail of Long-term Indebtedness *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2006
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2005	Issued (Retired) During Year	Outstanding June 30, 2006	Maturity
Non-General Obligation Debt					
Section 9(d) Debt					
Virginia Public Building Authority Bonds (Primary Government)					
Series 1992B	94,335	23,537	(15,235)	8,302	08/01/06-10
Accreted Principal	-	48,661	3,866	52,527	08/01/06-10
Series 1995	187,410	7,995	(7,995)	-	
Series 1996A	97,430	4,535	(4,535)	-	
Series 1997A	152,885	19,975	(6,275)	13,700	08/01/06-07
Series 1998A Refunding	147,000	123,010	(11,665)	111,345	08/01/06-13
Series 1998B	40,425	7,085	(1,645)	5,440	08/01/06-08
Series 1999A	68,920	11,600	(2,725)	8,875	08/01/06-08
Series 1999B	27,730	8,985	(1,630)	7,355	08/01/06-09
Series 2000A	104,990	25,660	(3,730)	21,930	08/01/06-10
Series 2001A	35,830	32,175	(1,340)	30,835	08/01/06-21
Series 2002A	55,000	51,355	(2,040)	49,315	08/01/06-22
Series 2003A	38,809	38,540	(3,085)	35,455	08/01/06-14
Series 2004A	187,106	187,106	(1,700)	185,406	08/01/06-16
Series 2004B	207,065	207,065	(8,690)	198,375	08/01/06-24
Series 2004C	39,260	39,260	(2,975)	36,285	08/01/06-15
Series 2004D	106,460	106,460	(365)	106,095	08/01/06-20
Series 2005A	47,305	47,305	(3,030)	44,275	08/01/06-18
Series 2005B	135,675	135,675	-	135,675	08/01/06-19
Series 2005C	165,810	-	165,810	165,810	08/01/06-22
Series 2005D	50,000	-	50,000	50,000	08/01/06-25
Deferral on Debt Defeasance	-	(36,510)	3,961	(32,549)	
Unamortized Premium	-	52,596	5,204	57,800	
Total Virginia Public Building Authority Bonds	1,989,445	1,142,070	150,181	1,292,251	
Virginia College Building Authority Bonds (Component Unit) (1)					
21st Century College Program					
Series 1996	53,160	7,535	(2,375)	5,160	08/01/06-07
Series 1998	54,785	21,640	(2,415)	19,225	08/01/06-17
Series 1999	59,495	14,230	(755)	13,475	02/01/07-19
Series 2000	60,900	2,340	(540)	1,800	02/01/07-09
Series 2001	65,795	15,845	(700)	15,145	02/01/07-21
Series 2002	130,795	95,110	(12,960)	82,150	02/01/07-22
Series 2003	140,250	120,135	(9,875)	110,260	02/01/07-23
Series 2004A	172,745	158,670	(11,285)	147,385	02/01/07-24
Series 2004B Refunding	61,395	60,290	(55)	60,235	02/01/07-20
Series 2005	115,785	115,785	(12,500)	103,285	02/01/07-25
Series 2006A	53,835	-	53,835	53,835	02/01/07-11
Deferral on Debt Defeasance	-	(4,631)	383	(4,248)	
Unamortized Premium	-	34,501	(254)	34,247	
Total Virginia College Building Authority Bonds	968,940	641,450	504	641,954	
Transportation Debt (Primary Government)					
Route 28 Refunding Bonds	111,680	114,511	(2,230)	112,281	10/01/03-18
Transportation Revenue Bonds (U.S. Route 58)	606,620	570,070	(23,600)	546,470	11/15/03-26
Northern Virginia Transportation District Program	324,410	323,055	(12,790)	310,265	11/15/03-26
Oak Grove Connector (Chesapeake)	33,075	25,870	(1,665)	24,205	11/15/03-23
Deferral on Debt Defeasance	-	(41,281)	18,871	(22,410)	
Unamortized Premium	-	49,172	1,189	50,361	
Total Section 9(d) Transportation Debt	1,075,785	1,041,397	(20,225)	1,021,172	

Series	Amount Issued	Outstanding June 30, 2005	Issued (Retired) During Year	Outstanding June 30, 2006	Maturity
Non-General Obligation Debt *(continued)*					
Section 9(d) Debt *(continued)*					
Virginia Port Authority Debt (Component Unit)					
Series 1996	38,300	28,420	(24,655)	3,765	10/15/96-16
Refunding Series 1998	71,015	37,360	(8,630)	28,730	04/01/98-08
Series 2002	135,000	134,000	(1,960)	132,040	7/11/92-27
Series 2005	60,000	60,000	-	60,000	7/01/05-30
Series 2006	21,730	-	21,730	21,730	7/01/07-16
Deferral on Debt Defeasance	-	-	(370)	(370)	
Unamortized Premium	-	5,738	(414)	5,324	
Total Virginia Port Authority Debt	326,045	265,518	(14,299)	251,219	
Innovative Technology Authority Debt (Component Unit)					
Series 1997	13,300	8,635	(700)	7,935	5/1/97-14
Virginia Biotechnology Research Park Authority (Component Unit)					
Series 1996	91,010	54,155	(2,125)	52,030	09/01/03-19
Unamortized Premium	-	450	(28)	422	
	91,010	54,605	(2,153)	52,452	
Virginia Public Broadcasting Board					
Board Notes Payable	23,840	15,775	(2,290)	13,485	08/01/03-11
Industrial Development Authority Obligations	42,490	27,100	(3,940)	23,160	03/01/03-11
Economic Development Authority Obligations	96,515	-	96,515	96,515	12/01/06-26
Unamortized Premium	-	-	4,077	4,077	
	96,515	-	100,592	100,592	
Total Section 9(d) Debt	4,627,370	3,196,550	207,670	3,404,220	
Non-General Obligation Debt and Other Obligations					
Other Long-term Debt (2)					
Capital Leases	-	180,071	6,076	186,147	
Installment Purchase Obligations	-	109,661	78,612	188,273	
Transportation Notes Payable	-	12,325		12,325	
Regional Jail Construction Liability	-	15,030	(1,655)	13,375	
Aviation Note Payable	6,600	3,055	(287)	2,768	
Total Other Long-term Debt	6,600	320,142	82,746	402,888	
Other Long-term Obligations					
Compensated Absences	-	501,385	26,541	527,926	
Pension Liability	-	860,432	109,142	969,574	
Other	-	18,761	(647)	18,114	
Total Other Long-term Obligations	-	1,380,578	135,036	1,515,614	
Total Non-General Obligation Debt and Other Obligations	4,633,970	4,897,270	425,452	5,322,722	
Total Tax-Supported Debt and Other Obligations	$ 6,410,904	$ 5,851,265	$ 513,924	$ 6,365,189	

(1) These amounts are reported as notes payable on the Higher Education Institutions' financial statements.
(2) Pursuant to GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, Governmental Activities includes Internal Service Funds.

STATISTICAL SECTION

The financial presentations included in this section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commonwealth's overall financial health.

Statistical schedules related to property taxes are not presented since the Commonwealth does not assess property taxes.

Contents

Financial Trends 257
These schedules contain trend information to help the reader understand how the Commonwealth's financial performance and well-being have changed over time.
- Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – General Governmental Revenue by Source and Expenditures by Function
- Net Assets by Component – Accrual Basis of Accounting
- Changes in Net Assets – Accrual Basis of Accounting
- Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting
- Comparison of General Fund Balance
- Changes in Fund Balance, Governmental Funds – Modified Accrual Basis of Accounting

Revenue Capacity 265
These schedules contain information to help the reader assess the factors affecting the Commonwealth's ability to generate its income taxes.
- Personal Income Tax Rates
- Effective Tax Rates
- Personal income Tax Filers and Liability by Income Level
- Personal Income by Industry
- Taxable Sales by Business Class
- Sales Tax Revenue by Business Class

Debt Capacity 273
These schedules present information to help the reader assess the affordability of the Commonwealth's current levels of outstanding debt and the Commonwealth's ability to issue debt in the future.
- Ratios of Outstanding Debt by Type
- Ratios of General Bonded Debt Outstanding
- Computation of Legal Debt Limit and Margin
- Schedule of Pledged Revenue Bond Coverage – Primary Government 9(d) General Long-term Debt

Demographic and Economic Information 279
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commonwealth's financial activities take place and to help make comparisons over time and with other governments.
- Schedule of Demographic and Economic Statistics
- Principal Employers

Operating Information 283
These schedules contain information about the Commonwealth's operations and resources to help the reader understand how the Commonwealth's financial information relates to the services the Commonwealth provides and the activities it performs.
- Capital Asset Statistics by Function
- State Employees by Function
- Operating Indicators by Function

Employees of the Department of Accounts 290

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Commonwealth implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

Financial Trends

Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis
General Governmental Revenue by Source and Expenditures by Function

For Fiscal Year Ended June 30
(Dollars in Millions)

	2006	2005	2004	2003
Tax Revenues:				
Individual and Fiduciary Income	$ 9,236	$ 8,344	$ 7,380	$ 6,751
Sales and Use	3,682	3,569	3,007	2,722
Motor Fuels	902	912	904	881
Corporation Income	869	644	426	344
Public Service Corporations	91	89	91	99
Motor Vehicle Sales and Use	593	599	589	529
Gross Premiums of Insurance Companies	374	374	351	333
Alcoholic Beverage Sales Tax	94	89	86	81
Deeds, Contracts, Wills, and Suits	696	597	341	286
Beer and Beverage Excise	44	43	43	42
Estate	167	161	148	141
Tobacco Products	189	122	16	15
Bank Stock	12	10	9	9
Wine and Spirits / ABC Liter	16	14	8	9
Other Taxes	78	71	134	109
Total Tax Revenues	17,043	15,638	13,533	12,351
Other Revenues:				
Federal and Other Grants, Donations, and Federal Revenue Sharing	5,958	5,627	5,832	5,524
Institutional Revenue	343	324	338	334
Sales of Property and Commodities	32	37	28	26
Rights and Privileges	816	758	734	689
Interest, Dividends, and Rents	256	204	84	191
Fines, Forfeitures, Costs, Penalties and Escheats	279	317	317	380
Assessments - Special Services	103	105	96	96
Other Revenues	634	685	475	468
Total Other Revenues	8,421	8,057	7,904	7,708
Total Revenues	$ 25,464	$ 23,695	$ 21,437	$ 20,059
Percentage Increase Over Previous Year	7.5%	10.5%	6.9%	1.3%
Expenditures by Function:				
Education	$ 7,661	$ 7,068	$ 6,236	$ 6,250
Administration of Justice	2,296	2,204	2,052	2,032
Individual and Family Services	8,626	8,060	7,525	7,134
Resources and Economic Development	788	708	668	641
Transportation	3,092	3,115	2,917	3,044
General Government (2)	2,246	2,101	2,179	1,925
Enterprises	-	-	-	-
Capital Outlay	588	414	193	108
Total Expenditures	$ 25,297	$ 23,670	$ 21,770	$ 21,134
Percentage Increase Over Previous Year	6.9%	8.7%	3.0%	-0.6%

Includes all General, Special Revenue, Debt Service, Capital Project, and Permanent Funds

(1) Fiscal years 2001-1997 represent basis of budgeting amounts.

(2) Beginning in 2002, General Government expenditure amounts include debt service principal retirement and interest charges.

Source: Department of Accounts

2002	2001	2000	1999	1998	1997
$ 6,758	$ 7,226	$ 6,829	$ 6,088	$ 5,405	$ 4,736
2,646	2,661	2,574	2,410	2,240	2,134
859	821	794	778	759	722
236	364	566	420	451	432
82	98	104	112	102	126
527	497	492	436	394	384
293	268	251	245	237	219
76	73	70	64	61	59
214	168	146	158	127	4
42	41	41	40	39	38
138	127	150	154	122	92
15	15	15	16	16	16
10	5	12	13	8	9
10	10	7	7	7	7
91	63	58	52	44	142
11,997	12,437	12,109	10,993	10,012	9,120
4,916	3,778	3,459	3,264	3,035	2,821
444	466	439	376	331	309
28	122	91	91	71	103
623	601	577	541	516	499
264	218	169	166	136	149
330	171	162	163	148	135
99	114	52	48	37	34
1,101	941	875	589	536	671
7,805	6,411	5,824	5,238	4,810	4,721
$ 19,802	$ 18,848	$ 17,933	$ 16,231	$ 14,822	$ 13,841
5.1%	5.1%	10.5%	9.5%	7.1%	8.5%
$ 6,187	$ 4,659	$ 4,353	$ 4,125	$ 3,614	$ 3,432
2,157	2,072	1,898	1,730	1,537	1,377
6,864	5,985	5,609	5,105	4,800	4,541
721	707	614	574	502	447
3,269	2,846	2,585	2,634	2,377	2,272
1,805	1,508	1,175	791	525	498
-	107	94	92	81	76
255	326	354	363	477	378
$ 21,258	$ 18,210	$ 16,682	$ 15,414	$ 13,913	$ 13,021
16.7%	9.2%	8.2%	10.8%	6.9%	6.4%

Net Assets by Component (1)
Accrual Basis of Accounting

Last Five Fiscal Years
(Dollars in Millions)

	For the Fiscal Year Ended June 30,				
	2006	**2005**	**2004**	**2003**	**2002**
Governmental Activities:					
Invested in Capital Assets, Net of Related Debt	$ 11,637	$ 11,830	$ 11,097	$ 9,811	$ 9,152
Restricted	1,588	1,252	857	883	1,433
Unrestricted	2,874	841	598	440	(134)
Total Governmental Activities Net Assets	16,099	13,923	12,552	11,134	10,451
Business-type Activities:					
Invested in Capital Assets, Net of Related Debt	32	(132)	22	24	24
Restricted	790	600	412	437	900
Unrestricted	17	(49)	(250)	(290)	(108)
Total business-type Activities Net Assets	839	419	184	171	816
Primary Government:					
Invested in Capital Assets, Net of Related Debt	11,669	11,698	11,119	9,835	9,176
Restricted	2,378	1,852	1,269	1,320	2,333
Unrestricted	2,891	792	348	150	(242)
Total Primary Government Net Assets	$ 16,938	$ 14,342	$ 12,736	$ 11,305	$ 11,267

(1) The Commonwealth began reporting government-wide statements with the implementation of GASB Statement No. 34 in fiscal year 2002.

Source: Department of Accounts

Changes in Net Assets (1)
Accrual Basis of Accounting

Last Five Fiscal Years
(Dollars in Millions)

	For the Fiscal Year Ended June 30,				
	2006	2005	2004	2003	2002
Expenses					
Governmental Activities:					
General government	$ 2,015	$ 2,029	$ 1,947	$ 1,654	$ 1,603
Education	7,926	7,269	6,497	6,484	6,406
Transportation	2,559	2,493	2,217	2,210	2,195
Resources and Economic Development	835	765	687	669	771
Individual and Family Services	8,570	7,991	7,587	7,153	6,919
Administration of Justice	2,493	2,262	2,126	2,115	2,323
Interest on Long-term Debt	209	167	172	189	224
Total Governmental Activities Expenses	24,607	22,976	21,233	20,474	20,441
Business-type Activities:					
State Lottery	908	908	846	759	743
Virginia College Savings Plan	238	311	4	408	259
Pocahontas Parkway	-	39	37	37	25
Unemployment Compensation	339	359	485	712	656
Alcoholic Beverage Control	408	-	-	-	-
Local Choice Health Care	165	-	-	-	-
Other	147	653	611	533	477
Total Business-type Activities Expenses	2,205	2,270	1,983	2,449	2,160
Total Primary Government Expenses	$ 26,812	$ 25,246	$ 23,216	$ 22,923	$ 22,601
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	$ 251	$ 258	$ 224	$ 195	$ 183
Education	311	272	228	304	292
Transportation	601	537	518	523	469
Resources and Economic Development	280	241	226	205	190
Individual and Family Services	394	398	394	341	1,165
Administration of Justice	286	294	346	321	374
Operating Grants and Contributions	5,671	5,262	5,312	4,796	3,998
Capital Grants and Contributions	707	578	734	779	1,188
Total Governmental Activities Program Revenues	8,501	7,840	7,982	7,464	7,859
Business-type Activities:					
Charges for Services:					
State Lottery	1,367	1,334	1,262	1,136	1,108
Virginia College Savings Plan	272	379	109	234	160
Pocahontas Parkway	-	10	7	5	-
Unemployment Compensation	543	539	445	263	158
Alcoholic Beverage Control	497	-	-	-	-
Local Choice Health Care	186	-	-	-	-
Other	125	747	684	576	522
Operating Grants and Contributions	27	19	17	38	278
Total Business-type Activities Program Revenue	3,017	3,028	2,524	2,252	2,226
Total Primary Government Program Revenues	$ 11,518	$ 10,868	$ 10,506	$ 9,716	$ 10,085
Net (Expense)/Revenue					
Governmental Activities	$ (16,106)	$ (15,136)	$ (13,251)	$ (13,010)	$ (12,582)
Business-type Activities	812	758	541	(197)	66
Total Primary Government Net Expense	$ (15,294)	$ (14,378)	$ (12,710)	$ (13,207)	$ (12,516)

Continued on next page

(1) The Commonwealth began reporting government-wide statements with the implementation of GASB Statement No. 34 in fiscal year 2002.

Source: Department of Accounts

Changes in Net Assets (1)
Accrual Basis of Accounting *(Continued from previous page)*

Last Five Fiscal Years
(Dollars in Millions)

	For the Fiscal Year Ended June 30,				
	2006	**2005**	**2004**	**2003**	**2002**
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes:					
Individual and Fiduciary Income	$ 9,206	$ 8,356	$ 7,364	$ 6,816	$ 6,714
Sales and Use	3,679	3,578	3,014	2,736	2,659
Corporation Income	838	651	412	326	240
Public Service Corporations	91	89	92	99	82
Motor Fuel	938	912	908	882	854
Motor Vehicle Sales and Use	593	599	589	529	526
Premiums of Insurance Companies	374	374	351	333	293
Other Taxes	1,296	1,108	784	689	602
Unrestricted Grants and Contributions	48	53	52	61	60
Investment Earnings	221	154	25	135	201
Miscellaneous	115	291	284	486	165
Transfers	581	535	549	466	424
Total Governmental Activities	17,980	16,700	14,424	13,558	12,820
Business-type Activities:					
Other Taxes	12	12	12	5	3
Investment earnings	12	10	9	12	14
Miscellaneous	1	1	-	2	2
Transfers	(581)	(535)	(549)	(466)	(424)
Special Items	164	-	-	-	-
Total Business-type Activities	(392)	(512)	(528)	(447)	(405)
Total Primary Government	$ 17,588	$ 16,188	$ 13,896	$ 13,111	$ 12,415
Change in Net Assets					
Governmental Activities	$ 1,873	$ 1,564	$ 1,173	$ 548	$ 238
Business-type Activities	421	246	13	(644)	(339)
Total Primary Government	$ 2,294	$ 1,810	$ 1,186	$ (96)	$ (101)

(1) The Commonwealth began reporting government-wide statements with the implementation of GASB Statement No. 34 in fiscal year 2002.

Source: Department of Accounts

Fund Balance, Governmental Funds
Modified Accrual Basis of Accounting

Last Ten Fiscal Years
(Dollars in Millions)

For the Fiscal Year Ended June 30,	General Fund			All Other Governmental Funds				
					Unreserved, reported in:			
	Reserved	Unreserved	Total	Reserved	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
2006	$ 1,162	$ 973	$ 2,135	$ 202	$ 2,882	$ (16)	$ 30	$ 3,098
2005	708	521	1,229	235	2,278	(33)	28	2,508
2004	409	37	446	163	2,155	(34)	28	2,312
2003	285	(221)	64	144	2,205	113	25	2,487
2002	532	(749)	(217)	97	1,972	53	25	2,147
2001	959	(405)	554	594	1,455	35	-	2,084
2000	712	663	1,375	531	1,169	37	-	1,737
1999	591	583	1,174	491	835	44	-	1,370
1998	450	562	1,012	407	911	53	-	1,371
1997	271	221	492	403	1,097	88	-	1,588

Source: Department of Accounts

Comparison of General Fund Balance

Last Ten Fiscal Years
(Dollars in Millions)

Fiscal Year Ended June 30,	Fund Balance	
	Budgetary Basis	Modified Accrual Basis
2006	$ 2,890.0	$ 2,135.5
2005	1,865.3	1,229.0
2004	1,109.6	446.2
2003	554.8	63.6
2002	632.9	(216.7)
2001	1,194.1	553.8
2000	1,855.3	1,374.6
1999	1,599.6	1,173.7
1998	1,444.2	1,011.4
1997	937.2	491.8

Source: Department of Accounts

Changes in Fund Balance, Governmental Funds (1)
Modified Accrual Basis of Accounting

Last Five Fiscal Years
(Dollars in Millions)

	For the Fiscal Year Ended June 30,				
	2006	**2005**	**2004**	**2003**	**2002**
Revenues					
Taxes	$ 17,043	$ 15,636	$ 13,533	$ 12,351	$ 11,996
Rights and Privileges	816	758	734	689	623
Institutional Revenue	343	325	338	334	444
Interest, Dividends, Rents, and Other Investment Income (Note 1)	256	204	84	191	265
Federal Grants and Contracts	5,958	5,627	5,832	5,524	4,916
Other	1,048	1,144	916	971	1,558
Total revenues	25,464	23,694	21,437	20,060	19,802
Expenditures					
General Government	1,787	1,687	1,757	1,549	1,483
Education	7,661	7,068	6,236	6,250	6,187
Transportation	3,092	3,115	2,917	3,044	3,269
Resources and Economic Development	788	708	668	641	721
Individual and Family Services	8,626	8,060	7,524	7,134	6,864
Administration of Justice	2,296	2,204	2,052	2,032	2,157
Capital Outlay	588	414	193	108	255
Debt Service:					
Principal Retirement	280	249	243	195	156
Interest and Charges	179	165	179	181	166
Total Expenditures	25,297	23,670	21,769	21,134	21,258
Revenues Over (Under) Expenditures	167	24	(332)	(1,074)	(1,456)
Other Financing Sources (Uses)					
Transfers In	1,590	1,555	1,507	1,643	1,542
Transfers Out	(1,014)	(1,018)	(954)	(1,161)	(1,116)
Notes Issued	128	-	-	7	-
Insurance Recoveries	4	-	-	-	-
Capital Leases	1	1	-	60	4
Bonds Issued	584	375	-	713	196
Premium on Debt Issuance	45	84	19	102	4
Refunding Bonds Issued	205	731	186	573	-
Sale of Capital Assets	7	-	-	-	-
Payments to Refunded Bond Escrow Agents	(214)	(789)	(211)	(610)	-
Total Other Financing Sources (Uses)	1,336	939	547	1,327	630
Net Change in Fund Balances	$ 1,503	$ 963	$ 215	$ 253	$ (826)
Debt Service as a Percentage of Noncapital Expenditures	1.86%	1.78%	1.96%	1.79%	1.53%

(1) Due to changes in the Commonwealth's fund structure initiated when GASB Statement No. 34 was implemented, the fund balance information is only available beginning in 2002.

Source: Department of Accounts

Revenue Capacity

Personal Income Tax Rates

Last Ten Fiscal Years
(Dollars in Millions)

For the Fiscal Year Ended June 30,	Personal Income Tax Collections (1)	Personal Income (2)	Average Effective Rate (3)
2006	$ 9,309	$ 300,163	3.10%
2005	8,352	287,880	2.90%
2004	7,430	266,864	2.78%
2003	6,776	249,159	2.72%
2002	6,711	240,835	2.79%
2001	7,226	235,263	3.07%
2000	6,830	219,212	3.12%
1999	6,088	201,460	3.02%
1998	5,406	190,243	2.84%
1997	4,728	177,694	2.66%

(1) Tax revenues from individual and fiduciary income tax.
(2) Personal income amounts provided by U.S. Bureau of Economic Analysis website.
(3) Average effective rate equals tax collections divided by income.

Source: Virginia Department of Taxation

Effective Tax Rates (1)

Tax Years 1997 – 2006

Income Tax Bracket	Tax Rate
$0 - $3,000	2.00%
$3,000 - $5,000	2.00% - 2.40%
$5,000 - $17,000	2.40% - 4.24%
$17,000 - $30,000	4.24% - 4.89%
$30,000 - $50,000	4.89% - 5.23%
$50,000 - $100,000	5.23% - 5.49%
Over $100,000	5.49% up to 5.75%

(1) Amounts shown are for all filing status returns.

Source: Virginia Department of Taxation

Personal Income Tax Filers and Liability by Income Level (1)

Current Year and Ten Years Ago

	Tax Year Ended December 31, 2004				Tax Year Ended December 31, 1995			
Income Level	Number of Returns	% of Total	Income Tax Liability	% of Total	Number of Returns	% of Total	Income Tax Liability	% of Total
$100,001 and higher	403,542	12.11%	$ 4,143,152,763	54.41%	149,366	5.45%	$ 1,361,473,783	34.94%
$75,001 - $100,000	262,415	7.87%	950,723,323	12.49%	143,251	5.22%	516,189,037	13.25%
$50,001 - $75,000	433,866	13.02%	1,059,068,020	13.91%	333,343	12.15%	800,828,141	20.55%
$25,001 - $50,000	775,147	23.26%	1,003,327,019	13.18%	681,509	24.85%	873,763,631	22.42%
$10,001 - $25,000	711,786	21.36%	317,166,461	4.16%	735,350	26.81%	322,414,822	8.27%
$10,000 and lower	745,895	22.38%	140,649,651	1.85%	700,070	25.52%	22,198,734	0.57%
Total	3,332,651	100.00%	$ 7,614,087,237	100.00%	2,742,889	100.00%	$ 3,896,868,148	100.00%

(1) Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the state's revenue. Tax year 2004 is the most recent year for which data are available.

Source: Virginia Department of Taxation

Personal Income by Industry (1)

Last Ten Fiscal Years
(Dollars in Millions)

	2006	2005	2004	2003	2002
Farm Earnings	$ (80)	$ 233	$ 456	$ 411	$ 358
Agricultural/Forestry, Fishing, and Other	308	325	305	280	280
Mining	1,192	855	786	701	722
Construction	16,997	15,605	14,024	12,214	11,805
Manufacturing	18,948	18,340	16,952	16,815	17,026
Transportation, Warehousing, Information and Public Utilities	18,033	18,128	16,966	16,156	16,247
Wholesale Trade	9,172	8,594	7,982	7,302	7,127
Retail Trade	13,731	13,427	12,467	11,698	11,447
Finance, Insurance, Real Estate, Rental and Leasing	20,240	18,668	16,671	15,684	14,764
Services	87,700	80,840	72,387	66,290	63,862
Federal, Civilian	17,225	17,029	16,195	14,280	13,913
Military	13,427	13,356	12,780	12,006	10,670
State and Local government	25,337	23,620	22,157	20,709	19,998
Other (2)	57,933	58,860	56,736	54,613	52,616
Total Personal Income	$ 300,163	$ 287,880	$ 266,864	$ 249,159	$ 240,835
Average Effective Rate (3)	3.10%	2.90%	2.78%	2.72%	2.79%

(1) Personal income figures for 2006 are estimated.
(2) Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.
(3) The total direct rate for personal income is not available. Average effective rate equals tax collections divided by income.

Source: U.S. Bureau of Economic Analysis

2001	2000	1999	1998	1997
$ 457	$ 532	$ 361	$ 423	$ 397
1,047	973	831	757	661
1,030	1,088	875	874	798
11,441	10,561	9,334	8,267	7,762
19,309	18,603	17,827	17,502	16,988
12,488	12,241	10,683	9,779	8,592
9,216	9,184	8,249	7,449	6,902
14,334	13,638	12,860	11,880	10,975
14,655	12,196	11,426	10,146	9,458
59,625	52,245	45,719	42,291	37,324
12,774	12,348	11,586	11,365	11,315
9,475	9,023	8,484	8,230	8,406
19,077	18,226	16,618	15,775	14,741
50,335	48,354	46,607	45,505	43,375
$ 235,263	$ 219,212	$ 201,460	$ 190,243	$ 177,694
3.07%	3.12%	3.02%	2.84%	2.66%

Taxable Sales by Business Class (1)

Last Ten Calendar Years
(Dollars in Millions)

	2004	2003	2002	2001	2000
Apparel	$ 4,087	$ 3,719	$ 3,579	$ 3,434	$ 3,503
Automotive	5,146	4,810	4,487	3,470	3,297
Food	21,931	20,887	19,937	19,378	19,014
Furniture, Home Furnishings, and Equipment	6,015	5,666	5,208	5,006	5,255
General Merchandise	13,312	12,686	12,117	12,472	12,693
Lumber, Building Materials and Supply	9,006	7,431	6,979	6,778	6,441
Fuel	488	487	392	458	533
Machinery, Equipment and Supplies	3,581	3,151	3,001	3,112	3,427
Miscellaneous	14,914	13,297	12,466	12,051	11,732
Hotels, Motels, Tourist Camps, etc.	2,354	2,307	2,213	2,157	2,392
Alcoholic Beverage	409	483	186	342	298
Other Miscellaneous and Unidentifiable	48	49	80	67	75
Total	$ 81,291	$ 74,973	$ 70,645	$ 68,725	$ 68,660
Direct Sales Tax Rate (2)	4.5%	4.5%	4.5%	4.5%	4.5%

(1) Retail sales information is available only on a calendar-year basis.
(2) Effective September 1, 2004, the sales tax rate increased from 4.5 percent to 5.0 percent.

Source: Department of Taxation

1999	1998	1997	1996	1995
$ 3,294	$ 3,040	$ 2,902	$ 4,533	$ 4,223
3,240	3,044	2,966	2,944	2,835
18,515	17,379	17,055	16,589	16,055
5,188	4,470	4,058	3,818	4,009
10,892	10,546	9,819	7,366	7,410
6,276	5,916	5,840	5,445	5,088
448	416	442	472	423
3,014	2,800	2,574	2,573	2,505
10,611	9,998	9,067	7,942	7,355
2,258	2,164	2,015	1,853	1,789
278	279	251	247	242
54	62	59	141	153
$ 64,068	$ 60,114	$ 57,048	$ 53,923	$ 52,087
4.5%	4.5%	4.5%	4.5%	4.5%

Sales Tax Revenues by Business Class (1) (2)

Tax Year 2004 and Nine Years Ago

	Tax Year Ended December 31, 2004				Tax Year Ended December 31, 1995			
	Number of Filers	% of Total	Tax Liability	% of Total	Number of Filers	% of Total	Tax Liability	% of Total
Apparel	6,099	4.25%	$ 4,087,521,249	5.03%	6,472	4.61%	$ 4,223,122,873	8.11%
Automotive	11,898	8.29%	5,145,672,486	6.33%	12,620	8.98%	2,834,937,159	5.44%
Food	27,106	18.88%	21,930,876,550	26.98%	25,890	18.43%	16,055,499,639	30.82%
Furniture, Home Furnishings, and Equipment	8,727	6.08%	6,014,658,518	7.40%	10,367	7.38%	4,008,891,923	7.70%
General Merchandise	9,976	6.95%	13,311,798,761	16.37%	9,473	6.74%	7,410,516,361	14.23%
Lumber, Building Materials and Supply	4,734	3.30%	9,006,350,759	11.08%	5,585	3.97%	5,087,665,124	9.77%
Fuel	825	0.57%	488,123,421	0.60%	1,056	0.75%	422,923,468	0.81%
Machinery, Equipment and Supplies	9,061	6.31%	3,581,337,858	4.40%	8,597	6.12%	2,504,575,662	4.81%
Miscellaneous	62,465	43.52%	14,913,904,303	18.35%	57,738	41.10%	7,355,238,493	14.12%
Hotels, Motels, Tourist Camps, etc.	2,095	1.46%	2,353,824,453	2.90%	1,975	1.41%	1,788,999,228	3.44%
Alcoholic Beverage	297	0.21%	408,612,950	0.50%	245	0.17%	241,630,449	0.46%
Other Miscellaneous and Unidentifiable	260	0.18%	48,436,164	0.06%	472	0.34%	153,010,932	0.29%
Total	143,543	100.00%	$ 81,291,117,472	100.00%	140,490	100.00%	$ 52,087,011,311	100.00%

(1) Due to confidentiality issues, the names of the ten largest revenue payers are not presented. The categories presented are intended to provide alternative information regarding the sources of the state's revenue.

(2) Tax year 2005 is the most recent year for which data is being reported. Beginning with the 3rd quarter of tax year 2005, business classification categories provided by the Department of Taxation changed to reflect NAICS codes. Consequently, the 1st half of tax year 2005 information is not available in a comparable form to the second half of tax year 2005 and is not presented. Files from before the 3rd quarter of tax year 2005 will never be directly comparable with files from 3rd quarter, tax year 2005 onwards.

Source: The Virginia Department of Taxation

Debt Capacity

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years
(Amounts in Thousands except Per Capita)

For the Fiscal Year Ended June 30,	Governmental Activities			Business-type Activities		Total Primary Government	Debt as a Percentage of Personal Income (1)	Amount Per Capita (2)
	General Obligation Bonds	Non- General Obligation Bonds	Other Long-term Obligations	Non-General Obligation Bonds	Other Long-term Obligations			
2006	$ 716,498	$ 3,231,917	$ 1,399,553	$ -	$ 1,992,856	$ 7,340,824	2.45%	$ 963
2005	657,032	2,930,344	1,185,757	463,357	1,835,982	7,072,472	2.46%	941
2004	536,386	2,797,410	1,278,534	447,372	1,587,835	6,647,537	2.49%	894
2003	589,618	2,974,706	1,148,633	432,563	1,633,519	6,779,039	2.72%	932
2002	579,297	2,377,041	965,426	418,850	1,263,967	5,604,581	2.33%	795
2001	622,954	2,286,636	856,026	405,460	23,039	4,194,115	1.78%	600
2000	665,859	1,993,609	776,812	393,238	10,984	3,840,502	1.75%	554
1999	707,966	1,702,846	727,269	381,706	9,712	3,529,499	1.75%	515
1998	729,367	1,699,356	399,271	-	1,813	2,829,807	1.49%	417
1997	706,918	1,635,839	290,361	-	-	2,633,118	1.48%	391

(1) Personal income amounts used for this calculation were obtained from the U. S. Bureau of Economic Analysis.
(2) Population statistics used in this calculation were provided by the Department of Taxation. Fiscal year 2006 population was estimated.

Source: Department of Accounts

Ratios of General Obligation Bonded Debt Outstanding

Last Ten Fiscal Years
(Amounts in Thousands except Per Capita)

For the Fiscal Year Ended June 30,	General Bonded Debt Outstanding [1]					Percentage of Tax Revenues [5]	Per Capita [6]
	Governmental			Higher Education			
	9(a) [2]	9(b) [3]	9(c) [4]	9(c)	Total		
2006	$ -	$ 626,124	$ 90,374	$ 325,969	$ 1,042,467	11.20%	$ 136.75
2005	-	555,447	101,585	296,963	953,995	11.42%	127.00
2004	-	428,891	107,495	316,923	853,309	11.48%	114.82
2003	-	471,118	118,500	349,185	938,803	13.86%	129.05
2002	-	451,700	127,597	376,462	955,759	14.24%	135.55
2001	-	486,310	136,644	345,154	968,108	13.40%	138.40
2000	-	520,705	145,154	380,332	1,046,191	15.32%	151.00
1999	-	534,765	153,201	387,963	1,075,929	17.67%	156.89
1998	67,215	441,265	160,887	406,560	1,075,927	19.90%	158.60
1997	70,460	468,650	167,808	433,944	1,140,862	24.13%	169.29

[1] Amounts are net of unamortized premiums, discounts, deferrals on debt defeasance, and/or issuance expenses.
[2] Section 9(a) bonds have been issued to redeem previous debt obligations.
[3] Section 9(b) bonds have been authorized by the citizens of Virginia through bond referenda to finance capital projects. These bonds are retired through the use of state appropriations.
[4] Section 9(c) bonds are issued to finance capital projects which, when completed, will generate revenue to repay the debt.
[5] Individual and fiduciary Income tax collections were used for this calculation.
[6] Population statistics used in this calculation are provided by the Department of Taxation.

Source: Department of Accounts

Computation of Legal Debt Limit and Margin

Last Ten Fiscal Years
(Dollars in Thousands)

Tax Revenues Required for Computation	2006	2005	2004	2003
Taxes on Income and Retail Sales:				
Individual and Fiduciary Income Tax [1]	$ 9,308,570	$ 8,352,366	$ 7,430,365	$ 6,775,746
Corporate Income Tax [2]	871,554	616,690	434,493	343,319
State Sales and Use Tax [3]	3,029,949	3,093,725	2,582,797	2,335,958
Total	$ 13,210,073	$ 12,062,781	$ 10,447,655	$ 9,455,023
Average Tax Revenues (Three Fiscal Years)	$ 11,906,836	$ 10,655,153	$ 9,777,865	$ 9,583,019
Section 9(a) [2] General Obligation Debt Limit [4]				
Debt Issuance Limit				
(30% of 1.15 times annual tax revenues)	$ 4,557,475	$ 4,161,659	$ 3,604,441	$ 3,261,983
Less Bonds Outstanding:	-	-	-	-
Debt Issuance Margin for Section 9(a) [2] General Obligation Bonds	$ 4,557,475	$ 4,161,659	$ 3,604,441	$ 3,261,983
Debt Applicable to Limit as a % Limit	0.00%	0.00%	0.00%	0.00%
Section 9(b) General Obligation Debt Limit				
Debt Issuance Limit				
(1.15 times average tax revenues for three fiscal years)	$ 13,692,862	$ 12,253,426	$ 11,244,545	$ 11,020,472
Less Bonds Outstanding:**				
Public Facilities Bonds [6]	596,464	520,655	389,219	422,399
Transportation Facilities Refunding Bonds [5] [6]	29,660	34,792	39,672	48,719
Bond Anticipation Notes	-	-	-	-
Debt Issuance Margin for Section 9(b) General Obligation Bonds	$ 13,066,738	$ 11,697,979	$ 10,815,654	$ 10,549,354
Debt Applicable to Limit as a % Limit	4.57%	4.53%	3.81%	4.27%
Additional Section 9(b) Debt Borrowing Restriction:				
Four-year Authorization Restriction (25% of 9(b) Debt Limit)	$ 3,423,215	$ 3,063,356	$ 2,811,136	$ 2,755,118
Less 9(b) Debt authorized in past three fiscal years	-	1,019,529	1,019,529	1,019,529
Maximum Additional Borrowing Restriction (amount that may be authorized by the General Assembly)	$ 3,423,215	$ 2,043,827	$ 1,791,607	$ 1,735,589
Section 9(c) General Obligation Debt Limit				
Debt Issuance Limit				
(1.15 times average tax revenues for three fiscal years)	$ 13,692,862	$ 12,253,426	$ 11,244,545	$ 11,020,472
Less Bonds Outstanding:**				
Parking Facilities Bonds [6]	9,939	11,040	6,367	7,199
Transportation Facilities Bonds [6]	80,435	90,545	101,128	111,301
Higher Educational Institution Bonds [6]	325,969	296,963	316,923	349,185
Bond Anticipation Notes	-	-	-	-
Debt Issuance Margin for Section 9(c) General Obligation Bonds	$ 13,276,519	$ 11,854,878	$ 10,820,127	$ 10,552,787
Debt Applicable to Limit as a % Limit	3.04%	3.25%	3.77%	4.24%

**Bonds included on this schedule are only those which are backed by the full faith and credit of the Commonwealth.

[1] Includes taxes imposed pursuant to Articles 2 and 9 of Chapter 3, Title 58.1 of the *Code of Virginia*. Fiscal year 2004 restated to reflect actual data as reported in the Schedules of Revenues, Expenditures and Changes in fund Balance - Budget and Actual - General and Major Special funds of each respective year's CAFR.

[2] Includes taxes imposed pursuant to Article 10 of Chapter 3, Title 58.1 of the *Code of Virginia.*

[3] Includes taxes imposed pursuant to Chapter 6, Title 58.1 of the *Code of Virginia,* less taxes identified in Sections 58.1-605 and 58.1-638.

[4] Debt limit applies only to debt authorized pursuant to Article X, Section 9(a)(2) of the *Constitution of Virginia*.

[5] These bonds refunded certain Section 9(c) debt, and because the Governor did not certify the feasibility of the refinanced project, it must be applied against the Section 9(b) Debt Limit.

[6] Net of unamortized premium, discount and deferral on debt defeasance.

Sources: Department of Accounts
Department of Treasury

	Fiscal year ended June 30,					
	2002	2001	2000	1999	1998	1997
	$ 6,710,857	$ 7,226,407	$ 6,829,587	$ 6,087,888	$ 5,405,850	$ 4,728,088
	290,215	363,757	565,909	420,421	450,780	432,298
	2,429,845	2,272,954	2,201,533	2,065,265	1,919,216	1,826,761
	$ 9,430,917	$ 9,863,118	$ 9,597,029	$ 8,573,574	$ 7,775,846	$ 6,987,147
	$ 9,630,355	$ 9,344,574	$ 8,648,816	$ 7,778,856	$ 7,062,881	$ 6,491,397
	$ 3,253,666	$ 3,402,776	$ 3,310,975	$ 2,957,883	$ 2,682,667	$ 2,410,566
	-	-	-	-	-	-
	$ 3,253,666	$ 3,402,776	$ 3,310,975	$ 2,957,883	$ 2,682,667	$ 2,410,566
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	$ 11,074,908	$ 10,746,260	$ 9,946,139	$ 8,945,684	$ 8,122,313	$ 7,465,107
	399,005	429,725	460,405	470,930	441,265	468,650
	52,695	56,585	60,300	63,835	67,215	70,460
	-	-	-	20,000	60,000	-
	$ 10,623,208	$ 10,259,950	$ 9,425,434	$ 8,390,919	$ 7,553,833	$ 6,925,997
	4.08%	4.53%	5.24%	6.20%	7.00%	7.22%
	$ 2,768,727	$ 2,686,565	$ 2,486,535	$ 2,236,421	$ 2,030,578	$ 1,866,277
	1,019,529	-	-	-	-	-
	$ 1,749,198	$ 2,686,565	$ 2,486,535	$ 2,236,421	$ 2,030,578	$ 1,866,277
	$ 11,074,908	$ 10,746,260	$ 9,946,139	$ 8,945,684	$ 8,122,313	$ 7,465,107
	9,605	10,325	11,010	11,660	12,280	12,860
	117,992	126,319	134,144	141,541	148,607	154,948
	376,462	345,154	380,332	387,963	406,560	433,944
	-	-	-	13,000	4,000	-
	$ 10,570,849	$ 10,264,462	$ 9,420,653	$ 8,391,520	$ 7,550,866	$ 6,863,355
	4.55%	4.48%	5.28%	6.19%	7.04%	8.06%

Schedule of Pledged Revenue Bond Coverage
Primary Government 9(d) General Long-term Debt

Last Eight Fiscal Years
(Dollars in Thousands except Coverage)

Primary Government Revenue Bonds:	For the Fiscal Year Ended June 30,	Beginning Balance	Pledged Revenues (1)	Operating Expenses (2)	Net Available for Debt Service	Debt Service Requirements (3) (4) Principal	Debt Service Requirements (3) (4) Interest	Coverage
Pocahontas Parkway Association (4)	2006	$ (140,294)	$ 11,680	$ 30,214	$ (158,828)	$ -	$ -	-
(Series 1998A-D and 2001A)	2005	(115,062)	10,344	29,675	(134,393)	-	9,121	(14.73)
	2004	(75,338)	7,674	27,505	(95,169)	-	9,121	(10.43)
	2003	(62,755)	5,111	27,104	(84,748)	-	9,121	(9.29)
	2002	(28,271)	80	25,023	(53,214)	-	9,129	(5.83)
	2001	(13,052)	-	24,618	(37,670)	-	9,152	(4.12)
	2000	(3,259)	-	17,385	(20,644)	-	9,287	(2.22)
	1999	-	-	15,544	(15,544)	-	5,728	(2.71)

(1) Pocahontas Parkway bonds are payable solely from toll revenues.
(2) Operating expenses are exclusive of principal and interest.
(3) Includes principal and interest of revenue bonds only. It does not include debt defeasance transactions.
(4) Ten years of data not available. This entity was established in 1999. The toll rights owned by the Pocahontas Parkway Association were sold on June 29, 2006. The Association was relieved of any outstanding debt and has no bonds outstanding at June 30, 2006 to report.

Sources: Department of Accounts
Department of Transportation

Demographic and Economic Information

Schedule of Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population In Thousands (1)	Personal Income In Thousands (2)	Per Capita Income (3)	Public Primary and Secondary School Enrollment	Unemployment Rate
2006	7,623	$ 300,163,000	$ 39,376	1,214,737	3.2 %
2005	7,512	287,880,000	38,323	1,185,612	3.5 %
2004	7,432	266,864,000	35,907	1,165,905	3.7 %
2003	7,275	249,159,000	34,249	1,156,471	4.0 %
2002	7,051	240,835,000	34,156	1,143,018	4.1 %
2001	6,995	235,263,000	33,633	1,130,446	2.4 %
2000	6,929	219,212,000	31,639	1,121,780	2.7 %
1999	6,858	201,460,000	29,376	1,110,843	2.8 %
1998	6,784	190,243,000	28,043	1,110,815	3.4 %
1997	6,739	177,694,000	26,368	1,092,090	4.4 %

(1) Population figure for 2006 is estimated.
(2) Personal income amounts were revised in fiscal year 2006.
(3) Personal income amount for 2006 is estimated.

Sources: Virginia Department of Education
Virginia Department of Taxation
Virginia Employment Commission
U.S. Bureau of Economic Analysis

Principal Employers

Current Year and Nine Years Ago

Employer	2005 Rank	1996 Rank
U.S. Department of Defense	1	8
Wal-Mart	2	4
Fairfax County Public Schools	3	1
Newport News Shipbuilding	4	3
Food Lion	5	5
United States Postal Service	6	2
County of Fairfax	7	7
Sentara Healthcare (1)	8	-
City of Virginia Beach Schools	9	9
University of Virginia / Blue Ridge Hospital	10	6

(1) Previous ranking not available.
(2) The Virginia Employment Commission is precluded from disclosing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act – Title V of Public Law 107-347. All Employers above have an employment size of 1,000 or more.

Source: Virginia Employment Commission (2)

Operating Information

Capital Asset Statistics by Function

Last Two Fiscal Years

	Fiscal Year	
	2006	2005
General Government		
Department of General Services		
Number of Buildings	45	34
Total Square Footage of Buildings	4,236,832	3,172,679
Vehicles	11,841	13,168
Education		
State Council of Higher Education		
Campuses of In-state Institutions	116	101
Campuses of Out-of-state Institutions	110	134
Transportation		
Dept of Transportation		
Bridges Maintained	12,603	12,603
State Maintained Highway Lane Miles	70,066	69,054
Vehicles	9,952	8,066
Number of Buildings (1)	3,582	3,677
Total Square Footage of Buildings	7,624,896	11,166,349
Resources and Economic Development		
Dept Conservation & Recreation		
State parks	34	34
Acres of State Parks (in thousands)	66	64
Natural Area Preserves	34	34
Acres of Natural Area Preserves (in thousands)	25	24
Historic Sites	3	3
Acres of Historic Sites (in thousands)	0.3	0.3
Number of Buildings (2)	989	1,047
Total Square Footage of Buildings	1,284,589	1,046,747
Department of Forestry		
State Forests	17	16
Buildings	283	270
Total Square Footage of Buildings	587,838	566,986
Individual and Family Services		
Department of Mental Health, Mental Retardation		
Number of Buildings	446	288
Total Square Footage of Buildings	6,263,527	5,344,822
Administration of Justice		
Dept of State Police		
Number of Stations	66	66
Number of Buildings	143	122
Total Square Footage of Buildings	526,617	465,046
Dept of Corrections		
Number of Buildings	1,812	1,454
Total Square Footage of Buildings	11,102,021	9,252,244
Business-type Activities		
Dept. of Alcoholic Beverage Control		
Number of Buildings	22	21
Total Square Footage of Buildings	789,548	536,102

(1) Includes storage sheds.
(2) Includes cabins.

Sources: Department of Conservation and Recreation
Department of Forestry
Department of General Services
Department of State Police
Department of Transportation
Department of Treasury
State Council of Higher Education

State Employees by Function (1)

Last Ten Fiscal Years

For the Fiscal Year Ended June 30,	2006	2005	2004	2003	2002
General Government					
VA Information Tehnologies	453	1,068	593	347	342
Department of Taxation	1,031	1,026	1,047	972	930
Department of General Services	621	603	625	583	612
All other	1,778	1,775	1,730	1,944	1,786
Education					
Colleges and Universities	47,371	44,725	42,817	41,729	41,717
All other	3,813	3,555	3,528	3,735	3,905
Transportation					
Department of Transportation	9,338	9,401	9,541	10,204	10,462
Department of Motor Vehicles	2,102	2,056	2,059	1,861	2,214
All other	110	129	145	185	178
Resources and Economic Development					
Department of Conservation & Recreation	709	937	927	847	963
Department of Environmental Quality	870	862	837	827	846
All other	3,263	3,161	3,244	3,096	3,245
Individual and Family Services					
Department of Health	3,817	3,646	3,674	3,657	3,646
Mental Health Agencies	7,679	6,609	6,708	6,810	6,930
All other	6,424	7,868	7,850	7,395	7,317
Administration of Justice					
Department of State Police	2,604	2,607	2,626	2,499	2,504
Department of Juvenile Justice	2,312	2,222	2,200	2,197	2,353
Correctional Facilities	10,368	10,398	10,286	10,244	10,906
All other	5,382	5,036	5,098	4,880	5,062
Business-Type Activities					
Department of Alcoholic Beverage Control	1,851	1,726	1,656	1,565	1,636
State Lottery	261	271	304	317	319
All Other	257	257	240	237	261
State Total (2)	112,414	109,938	107,735	106,131	108,134

(1) Includes salaried and wage employees but excludes adjunct faculty.
(2) Totals have been rounded and may vary slightly from the Department of Human Resource Management and Department of Personnel and Training reports.

Sources: Department of Human Resource Management
Department of Personnel and Training

2001	2000	1999	1998	1997
338	329	325	323	331
963	927	889	890	931
583	593	606	598	603
1,826	1,778	1,690	1,825	1,718
41,178	44,150	43,657	43,312	42,767
3,960	3,889	3,640	3,552	3,357
10,646	10,422	10,090	10,019	9,870
2,193	2,130	1,991	1,954	1,918
668	207	211	215	189
956	651	703	721	627
833	818	803	800	748
3,319	3,291	3,265	3,173	3,129
3,629	3,784	3,875	3,937	3,895
6,835	6,901	6,995	7,134	7,220
7,408	7,305	7,287	7,103	7,198
2,518	2,536	2,506	2,412	2,321
2,420	2,460	2,486	2,269	2,034
11,328	11,258	11,281	10,295	9,726
5,151	5,470	5,183	4,625	4,245
1,530	1,369	1,330	1,413	1,350
313	314	314	311	290
231	223	202	190	181
108,826	110,805	109,329	107,071	104,648

Operating Indicators by Function

Last Two Fiscal Years

	Fiscal Year	
	2006	2005
General Government		
Virginia Department of Taxation		
Number of Returns Processed (Calendar Year) (1)	Not yet available	7,466,243
Department of Accounts		
Number of Payments Processed Via Check	1,522,865	1,658,132
Number of Payments Processed Electronically	2,684,123	2,445,707
Percentage Processed Electronically	63.80%	59.60%
Education		
State Council of Higher Education		
Number of Students Enrolled at State-supported Colleges and Universities	412,336	401,945
Department of Education		
Number of Public Primary and Secondary School Enrollment	1,214,737	1,185,612
Transportation		
Dept of Transportation		
Number of Vehicles Paying Tolls for the Pocahontas Parkway	5,746,292	5,638,331
Resources and Economic Development		
Department of Environmental Quality		
Number of Permits Issued	2,011	4,627
Number of Inspections Conducted	10,471	9,656
Department of Housing and Community Development		
Number of Housing Units Improved to Define Standards through Housing Programs	3,459	4,292
Department of Agriculture & Consumer Services		
Number of Food Inspections Conducted	16,350	14,791
Number of Weights/Measure Equipment Inspected	101,471	74,341
Department of Forestry		
Number of Firefighters Trained in Forest Control	1,000	1,653
Individual and Family Services		
Comprehensive Services for At-Risk Youth and Families		
Number of Youth Served	16,722	16,272
Department of Medical Assistance Services		
Number of Medicare Recipients	1,010,487	1,047,394
Number of Medicaid Recipients	812,796	777,548
Department of Mental Health, Mental Retardation, & Substance Abuse Services (2)		
Number of Patients Served	3,033	3,069
Number of Beds Used	3,499	3,445
Department of Social Services		
Average Number of Households Receiving Food Stamps	223,116	212,092
Number of Households Receiving Child Support Enforcement Assistance	361,909	363,294
Department of Health		
Number of WIC Participants	247,386	139,380
Number of Childhood Immunizations Administered	1,093,450	361,503

Continued on next page

(1) Information is not yet available for fiscal year 2006.
(2) This agency is structured to provide services primarily in a community setting. Although they have a significant amount of capital and operating costs in facility operations, inpatient treatment methodology is being deemphasized over time. Their inpatient census will continue to decline in the future. Over $250 million of community funding (state and Federal dollars) each fiscal year supports 40 community services boards across the Commonwealth. These entities serve approximately 300,000 Virginians each year.
(3) Win for Life replaced Lotto South during fiscal year 2006, therefore, information for fiscal year 2005 is not available.

	Fiscal Year	
	2006	2005
Administration of Justice		
Supreme Court		
Number of Criminal Trials (calendar year)	710,380	717,267
Number of Civil Trials (calendar year)	1,327,296	1,349,987
Number of Traffic Hearings (calendar year)	1,971,413	1,941,038
Compensation Board		
Number of Constitutional Officers Receiving Financial Support	650	656
Dept of State Police		
Number of Traffic Citations Issued (calendar year)	600,121	670,550
Number of Arrests (calendar year)	22,622	23,397
Department of Corrections		
Number of Inmates	31,072	31,024
Business-type Activities		
State Lottery Department		
Number of Plays Sold - Pick 3	257,008,607	253,218,681
Number of Plays Sold - Pick 4	169,761,961	169,182,202
Number of Plays Sold - Cash 5	27,723,536	28,109,652
Number of Plays Sold - Lotto South (3)	44,322,641	66,693,764
Number of Plays Sold - Megamillions	159,665,341	137,178,608
Number of Plays Sold - Win for Life (3)	17,529,322	-
Number of Tickets Sold - Instant Tickets	689,315,033	679,563,218
Virginia College Savings Plan		
Number of Prepaid Tuition Contractholders	70,006	67,947
Virginia Employment Commission		
Number of Individuals Receiving Unemployment Benefits	110,881	117,216
New Unemployment Benefit Claims	260,381	276,859

Sources: Compensation Board
Comprehensive Services for At-Risk Youth and Families
Department of Agriculture and Consumer Services
Department of Education
Department of Environmental Quality
Department of Forestry
Department of Health
Department of Housing and Community Development
Department of Medical Assistance Services
Department of Mental Health, Mental Retardation, and Substance Abuse Services
Department of Social Services
Department of State Police
Department of Transportation
State Council of Higher Education
State Lottery Department
Supreme Court
Virginia College Savings Plan
Virginia Employment Commission

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